

2 September, 2011

## Frieda Copper Gold Project, PNG

### **Project continues to grow in resource scale and confidence**

A near-term world class multi-decade copper gold project  
District resources now approaching 12 Mt Copper & 18 Moz Gold

### **New resource tonnage for Horse Ivaal Trukai deposit - up 10% to 2,090 Mt**

- Includes 160% increase in Measured Resource to 780 million tonnes
- Highest confidence Measured Resource represents 37% of total HIT resource
  - Frieda resource quality provides comfort for project funding

Highlands Pacific today reports a significant increase in the tonnage and resource confidence of the Horse Ivaal Trukai (HIT) deposit at its world class Frieda open-pit copper gold project in Papua New Guinea.

The HIT deposits are the subject of a Bankable Feasibility Study which is due to be completed by January 2012 and which Xstrata Copper is managing and financing, with Highlands free carried until its completion.

The total resource at HIT has increased 10% to 2,090 million tonnes from the February 2011 resource, however most importantly the highest level of resource confidence (the Measured Resource category) has increased 160% to 780 million tonnes (representing 37% of the total HIT resource) at 0.51% copper and 0.28 g/t gold.

This level of resource confidence provides significant comfort for project finance discussions in early 2012 after the receipt of the Xstrata-prepared Bankable Feasibility Study in January.

Using a cut-off grade of 0.20% copper, the HIT deposit is estimated to contain 2,090 million tonnes of copper mineralisation at a grade of 0.45% copper, 0.22 g/t gold and 0.70 g/t silver. This equates to 9.4 Mt (20.7 billion pounds) of contained copper, 14.8 Moz of gold and 47 Moz of silver. Full details of the Xstrata-prepared JORC-compliant estimate are attached.

The new HIT resource is constrained by an updated economic pit shell and includes the results of 139,000 metres of drilling.

Separate to the Horse Ivaal Trukai open pit constrained resource - but in close proximity to it - is a further 270 Mt of Inferred copper resource at the Koki deposit, together with mineralisation that extends below the proposed HIT open pit (Frieda Deeps) and at Ekwai.

The nearby Nena deposit is not part of the HIT open pit study or the Joint Venture and at this stage is 100% owned by Highlands with Xstrata having an option to include this in the Joint Venture by paying Highlands US\$10.8 million by January 2012.

**Managing Director of Highlands Pacific Mr John Gooding said today:** "There are a number of emerging copper projects in the world, but I suggest few with the country support and resource quality and confidence of Frieda. Xstrata has spent more than US\$200 million over the past three years on Frieda and we are less than 6 months away from the Bankable Feasibility Study. The PNG government is completely behind the project and is urging its development. The vastly increased confidence of the resource, the project's expected very low operating costs, and its significant cash flow and payback at current copper prices make Frieda very attractive for project debt financiers."



Table 1: Horse-Ivaal-Trukai Mineral Resources at 0.20% Cu cut off as at 25th August 2011

| Category         | MT          | Cu(%)       | Au(g/t)     | Ag(g/t)     |
|------------------|-------------|-------------|-------------|-------------|
| <i>Measured</i>  | 780         | 0.51        | 0.28        | 0.79        |
| <i>Indicated</i> | 410         | 0.44        | 0.20        | 0.72        |
| <i>Inferred</i>  | 900         | 0.39        | 0.17        | 0.68        |
| <b>Total</b>     | <b>2090</b> | <b>0.45</b> | <b>0.22</b> | <b>0.70</b> |

Notes:  
The Mineral Resources are constrained by topography and an economic pit calculated with Measured, Indicated and Inferred resources. Numbers may not be exact as they are rounded for tabulation.

The information in the report that relates to Mineral Resources presented in Table 1 is based on information compiled by Mr Raúl Roco, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Roco is a full-time employee of an Xstrata Copper entity. Mr Roco has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the estimation of Mineral Resources to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Roco consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Table 2: Koki Mineral Resources at 0.20% Cu cut off

| Category        | MT  | Cu(%) | Au(g/t) |
|-----------------|-----|-------|---------|
| <i>Inferred</i> | 274 | 0.44  | 0.3     |

Notes:  
• The Koki deposit has been intersected by 30 drill holes on a nominal 150 m x 300 m grid.  
• The resource information for Koki is based on information compiled by Lawrence Queen, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Queen is a full-time employee of Highlands Pacific and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 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 his information in the form and context in which it appears.

Table 3: Nena Mineral Resources at 0.5% Cu cut off

| Category         | MT        | Cu(%)       | Au(g/t)     | As(%)       | Sb ppm     |
|------------------|-----------|-------------|-------------|-------------|------------|
| <i>Indicated</i> | 37        | 2.67        | 0.63        | 0.21        | 143        |
| <i>Inferred</i>  | 14        | 1.80        | 0.42        | 0.13        | 86         |
| <b>Total</b>     | <b>51</b> | <b>2.43</b> | <b>0.57</b> | <b>0.19</b> | <b>127</b> |

Notes:  
1. Copper resource – lower cut off grade 0.5% copper,  
2. Mineral Resources stated herein are based on the "Nena 2008 Conceptual Stage Resource Model"  
3. These figures are constrained by topography; no economic pit has been applied to constrain the estimate. Numbers have been rounded for tabulation.

The information in the report that relates to Mineral Resources presented in Table 3 is based on information compiled by Mr Raúl Roco, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Roco is a full-time employee of an Xstrata Copper entity. Mr Roco has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the estimation of Mineral Resources to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Roco consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

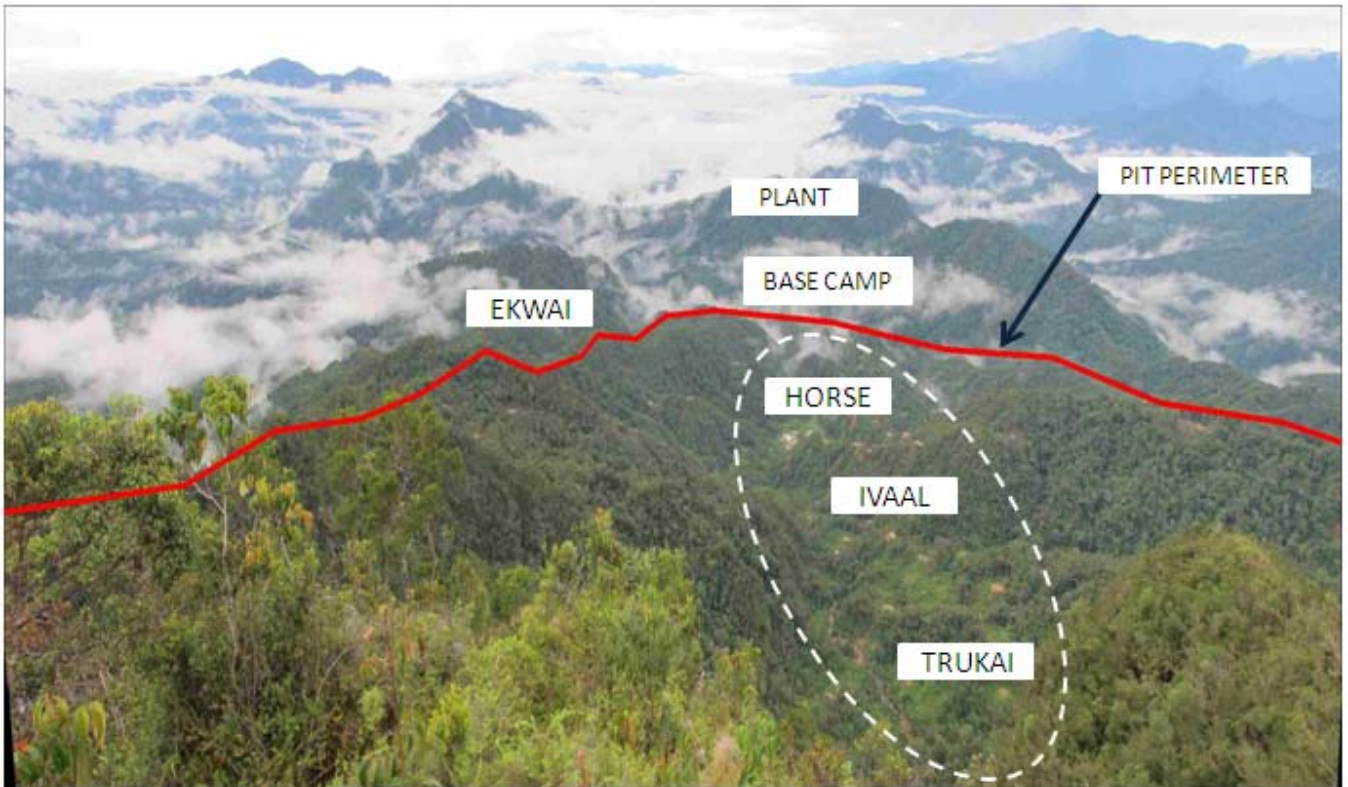
**For further information, please contact:**  
John Gooding or Craig Lennon  
Highlands Pacific - 07 3239 7800

**Media Enquiries to:**  
Simon Jemison  
Collins St Media - 03 9224 5319



## Frieda Copper Project

Frieda River is 170 kms NW of the giant Porgera gold mine in PNG. Subject to permitting and funding, construction could commence in 2012 with production in 2017.



The Bankable Feasibility Study is due for release in January 2012, however the following is a summary of the Pre-feasibility results released in November 2010:

| Topic  | PFS Fundamentals LOM                       |  |
|--|--|--|
| Mining Method  | Open Cut                                   |  |
| Construction Time  | 4 years - permitting 2012, production 2017 |  |
| Capital Cost incl. contingency                                 | US\$5.3bn                                  |  |
| Hydro-scheme incl. contingency                                 | US\$803m (included in Capital cost)        |  |
| Topic  | First 8 Years                              | PFS LOM                                  |
| Strip Ratio  | 1.1:1                                      | 1:1                                      |
| Mill rate  | 60Mtpa                                     | 50Mtpa                                   |
| Recoveries   | 85% Cu & 72% Au                            | 85% Cu & 70% Au                          |
| Concentrate (dry)  | 930ktpa average                            | 716ktpa average                          |
| Production (payable)   | 246ktpa Cu and<br>379kcozs pa Au average   | 190ktpa Cu and<br>284kcozs pa Au average |
| <b>C1 Cash Operating Costs</b>                                 | <b>US43 cents/lb</b>                       | <b>US58 cents/lb</b>                     |
|  | US\$8.36/t ore treated                     | US\$8.68/t ore treated                   |
| Free Cash Flow<br>(US\$2.50/lb copper and<br>US\$1000/oz gold) | US\$933m pa<br>average                     | US\$612m pa<br>average                   |



**ASX Code: HIG**

**PoMSox Code: HIG**

**Shares on Issue: 686 million**

**Options on Issue: 23 million**

**Performance Rights: 3.6 million**

Market Capitalisation ~ **A\$180m**

Cash on Hand (30/06/11) **A\$15m**

**Directors**

Ken MacDonald, Chairman

John Gooding, Managing Director

Mike Carroll

Dan Wood

Drew Simonsen

Fiu Williame-Igara

**Management**

*Craig Lennon, CFO & Co.Sec*

*Larry Queen, Chief Geologist*

*Terry Smith, GM Mining & BD*

*Peter Jolly, GM Projects*

*Ron Gawi, GM Port Moresby*

**For further information, please contact:**

*John Gooding or Craig Lennon*

*Highlands Pacific - 07 3239 7800*

**Media Enquiries to:**

*Simon Jemison*

*Collins St Media - 03 9224 5319*

**Website:**

**[www.highlandspacific.com](http://www.highlandspacific.com)**

## **About Highlands Pacific Limited**

Highlands Pacific is a PNG incorporated and registered mining and exploration company listed on the ASX and PoMSox exchanges. Its major development assets include the US\$1.5bn Ramu nickel cobalt project, the Frieda River copper gold project and exploration on the highly prospective Star Mountains (Nong River and Tifalmin) licenses approximately 20km north of the Ok Tedi Mine. Highlands also holds exploration ground in the Wau/Bulolo close to the new Hidden Valley and Wafi gold projects and has cash reserves of A\$17 million with no debt.

### **Frieda Copper/Gold Project**

The Frieda copper gold project is one of the Asia-Pacific's largest undeveloped copper/ gold resources. The Frieda project is 175 kms NW of the giant Porgera gold mine and 75 km NE of the Ok Tedi mine. The project owners are Xstrata (81.82% and manager) and Highlands (18.18%). Highlands has a free-carried interest through to completion of a bankable feasibility study (required by Jan 2012). Xstrata have approved a US\$122m budget for the BFS stage. Xstrata's spend for Frieda in 2009 was US\$38m and in 2010 was US\$79.3m. The pre-feasibility study released in November 2010 indicated a 60Mtpa throughput for the first eight years with output averaging 246,000tpa of copper and 379,000ozpa of gold. The multi-decade life mine will have an average throughput of 50Mtpa.

### **Star Mountains Prospects**

Star Mountains licenses, which include Nong River EL1312 and Tifalmin EL 1392, are located approximately 20km north of the Ok Tedi Mine. These prospects lie within the highly prospective New Guinean Orogenic Belt, home to deposits like Grasberg, Ok Tedi, Frieda, Porgera and Hidden Valley. A drilling program is underway with some significant copper gold intersections reported recently with the program extending through 2011.

### **Ramu Nickel Cobalt Project**

The Ramu nickel project is located 75 km west of the provincial capital of Madang, PNG and will produce an annual output of 31,150 tonnes of nickel and 3,300 tonnes of cobalt contained in high grade concentrate over a 20 year mine life. The mineral resources at Ramu have the potential to increase the mine life by a further 15-20 years. Highlands 8.56% interest in the Ramu will increase to 11.3% at no cost after repayment of the project debt (estimated to be 8 years). From commissioning, Highlands has access to its pro-rata 8.56% share of Ramu's post-debt servicing net cash flow. Highlands also has an option to acquire an additional 9.25% at fair market value which could increase its interest to 20.55%.



**MEDIA RELEASE**

**XSTRATA COPPER ANNOUNCES MINERAL RESOURCE INCREASE FOR FRIEDA RIVER COPPER-GOLD PROJECT IN PAPUA NEW GUINEA**

Brisbane, 2 September 2011

Xstrata Copper announces increases in both the total Mineral Resource estimate and Measured and Indicated Resources for the Horse-Ivaal-Trukai (HIT) deposit at the Frieda River copper-gold project in Papua New Guinea.

The new HIT resource estimate comprises a total of 2,090 million tonnes at a grade of 0.45% copper, 0.22 grams per tonne gold and 0.7 grams per tonne silver, using a copper cut-off grade of 0.2% copper. This represents 9.4 million tonnes of contained copper metal and 14.8 million ounces of contained gold metal.

Contained copper has increased by 10% in the total Mineral Resource and by 7% in the Measured and Indicated resource categories, compared to the previous update released in February 2011. Importantly, the Measured category now comprises 37% of the estimated total Mineral Resource, a significant increase on the estimate released in February 2011 of 16%. The new estimate includes the results of 139,000 metres of drilling, with 39,000 metres added to the drill database since the last estimate.

Xstrata Copper Executive General Manager, Project Development Asia Pacific, Peter Forrestal, said the latest results continued to confirm Frieda River's potential as a significant copper-gold resource in the Asia-Pacific region.

"Since assuming management control of the Frieda River project in January 2007, we have conducted a vigorous evaluation programme," Mr Forrestal said.

"The drilling and technical studies have been completed for the Feasibility Study, which is due to be delivered in January 2012. We continue to undertake extensive environmental baseline studies and stakeholder engagement activities for the project's Environmental and Social Impact Assessment," he said.

**Table 1\* Horse-Ivaal-Trukai Mineral Resources at 0.20% Cu cut-off as at 25 August 2011**

| <b>Resource Class</b> | <b>Mt</b>   | <b>Cu (%)</b> | <b>Au (g/t)</b> | <b>Ag (g/t)</b> |
|-----------------------|-------------|---------------|-----------------|-----------------|
| Measured              | 780         | 0.51          | 0.28            | 0.79            |
| Indicated             | 410         | 0.44          | 0.20            | 0.72            |
| Inferred              | 900         | 0.39          | 0.17            | 0.68            |
| <b>Total</b>          | <b>2090</b> | <b>0.45</b>   | <b>0.22</b>     | <b>0.7</b>      |

\* Horse-Ivaal-Trukai is a copper-gold porphyry deposit located on the border of Sandaun and East Sepik provinces in Papua New Guinea, approximately 200 kilometres from the coast and 70 kilometres from the navigable Sepik River. The Mineral Resource estimate is reported at a 0.2% copper cut-off grade and is shown on 100% ownership basis as of 25 August 2011. The estimate is constrained by topography and an economic pit shell calculated with Measured, Indicated and Inferred Resources. Numbers and totals may not match exactly as they

are rounded for tabulation. The full process of resource estimation including 3D geology modelling, geostatistics, block grade interpolation and resource classification has been updated to reflect changes in technical and economic parameters used to calculate the Resource pit envelope including geotechnical parameters, operating costs, metal prices, and classification criteria. The HIT deposit has been drilled to an approximate grid of 75 by 75 metres at the deposit centre in close coincidence with the resource classified as "Measured". Resource Classification follows the definitions provided by the JORC Code. Due to the uncertainty that may be attached to some Inferred Mineral Resources, it cannot be assumed that all or part of an Inferred Mineral Resource will necessarily be upgraded to an Indicated or Measured Resource after continued exploration.

\* The information in this press release that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Raul Roco, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Roco is a fulltime employee of the company. Mr. Roco has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Roco consents to the inclusion in the press release of the matters based on his information in the form and context in which it appears.

### **Xstrata Copper contacts**

Emily Russell

Telephone +562 478 2204

Mobile + 569 9443 3571

Email [erussell@xstratacopper.com](mailto:erussell@xstratacopper.com)

Melissa Bowerman

Telephone +61 7 3182 2065

Mobile +61 401 670 418

Email [mbowerman@xstratacopper.com](mailto:mbowerman@xstratacopper.com)

[www.xstratacopper.com](http://www.xstratacopper.com)

[www.friedariver.com](http://www.friedariver.com)

*Ends*

*Neither the content of the company's website nor the content of any other website accessible from hyperlinks on the company's website is incorporated into, or forms part of, this announcement*

Notes to editors

#### **ABOUT XSTRATA PLC**

Xstrata is a global diversified mining group, listed on the London and Swiss Stock Exchanges. Headquartered in Zug, Switzerland, Xstrata maintains a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc with additional exposure to gold, cobalt, lead and silver. The Xstrata Group also comprises a growing platinum group metals business, iron ore projects, recycling facilities and a suite of global technology products, many of which are industry leaders. The Group's operations and projects span 21 countries.

#### **ABOUT XSTRATA COPPER**

Xstrata Copper is the fourth largest global copper producer with attributable mined production in 2010 of 913,500 tonnes of copper in cathodes and concentrates. The company is also one of the world's largest producers of smelter and refined copper, including from third party materials.

Headquartered in Brisbane, Xstrata Copper is one of the commodity business units within the major global diversified mining group Xstrata plc. Its mining and metallurgical operations and development projects span eight countries: Argentina, Australia, Canada, Chile, Peru, the Philippines, Papua New Guinea and the USA. Its operations and projects are administered through a regional divisional management structure, which ensures that critical decisions are taken close to the related businesses. It also has a recycling business (Xstrata Recycling) with plants in the United States and offices in Canada and Asia.

#### **ABOUT THE FRIEDA RIVER PROJECT**

The Frieda River copper-gold project is located on the border of the Sandaun and East Sepik provinces in Papua New Guinea (PNG), about 200 kilometres from the coast and 70 kilometres from the navigable Sepik River. It is a joint venture between Xstrata Frieda River Limited (81.82%) and Highlands Frieda Ltd, a wholly owned subsidiary of Highlands Pacific Ltd, (18.18%). The project is managed by Xstrata Copper and is currently in the feasibility study stage, due for completion in January 2012.