



10 February, 2010

Frieda Copper Gold Project, PNG

2010 work budget doubled to US\$77.5 million

Highlands free carried

Pre-Feasibility Study due in the third quarter of 2010

Highlands Pacific today reports that the 2010 programme and budget for its Frieda copper gold project in Papua New Guinea will include 50,000m of drilling and expenditure of US\$77.5 million. Highlands has a free-carried interest with Xstrata's 76.3% interest dependent on the delivery of a bankable feasibility study no later than January 2012.

The 2010 programme involves the completion of the Pre-Feasibility Study expected in the third quarter of 2010 and the proposed commencement of the Feasibility Study shortly afterwards.

Managing Director of Highlands Pacific Mr John Gooding said today: *"The significant resource upgrade announced recently combined with the major activities planned in 2010 is testament to the quality of this project. This level of expenditure by Xstrata will bring the total investment by the end of 2010 to more than US\$150 million. We continue to be supportive of their work and we look forward to the completed Pre-Feasibility Study due in the third quarter of 2010."*

The 2010 Programme will include the following:

- Completion of the Pre-Feasibility Study expected in the third quarter 2010.
- Proposed commencement of a 12-month Feasibility Study scheduled for the third quarter 2010
- On site activity will include 50,000m of drilling split between resource, geotechnical and waste rock characterisation. However most of the drilling will focus on lifting the proportion of the Mineral Resource inventory from Inferred category to the Measured and Indicated category.
- Project permitting activities will include landownership investigations plus a broad range of environmental and social studies to support an Environmental Impact Assessment.
- Stakeholder engagement, particularly in the region of the project will remain a priority





ASX Code: HIG
PoMSox Code: HIG
Shares on Issue: 662 million
Options on Issue: 93 million

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About Highlands Pacific Limited

Highlands Pacific is listed on the ASX and PoMSox exchanges. As at 8 February 2010 it had a market capitalisation of A\$210 million and held approximately A\$24m (US\$21m) in cash. Its major development assets include the US\$1.37bn Ramu nickel cobalt project, the Frieda River copper gold project and exploration on the highly prospective Nong River and Tifalmin licenses approximately 20km north of Ok Tedi. Highlands also holds exploration ground in the Wau/Bulolo close to the new Hidden Valley and Wafi gold projects.

Frieda Copper/Gold Project

The Frieda copper project is one of the world's largest undeveloped copper/gold resources. Frieda River is 170 kms NW of the giant Porgera gold mine. The project owners are Xstrata (76.30%), Highlands (16.95%) and OMRD (6.75%). Highlands has a free-carried interest through to completion of a Feasibility Study (required by Jan 2012). Xstrata's spend for Frieda in 2009 was US\$38m and in 2010 will be US\$77.5m. A extended scoping study released in early 2009 indicated a 40Mtpa plant with a 27 year mine life averaging 200,000 tpa of copper metal and 240,000 ozpa of gold. The pre-feasibility study due in the third quarter of 2010 is currently considering larger throughput and production options. Subject to the project continuing to meet its project hurdles, a 12-month feasibility study would commence in 3Q 2010 with possible construction in 2012 and production in 2017.

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