

FRIEDA RIVER COPPER & GOLD PROJECT



Frieda River Fact Sheet

November 2010

Frieda River Copper and Gold Project



The Frieda River Project, located in the Sandaun Province of Western Papua New Guinea, is one of the world's largest undeveloped copper and gold deposits. The 2010 Prefeasibility study estimates a mine life of over 20 years for the open pit project. In its first eight years the project is expected to produce 930,000 tonnes per annum of concentrate containing 246,000t copper and 379,000 ounces of gold at C1 cash operating costs of 43c per pound or \$1.12/lb without gold credits.

In January 2002 the Company reached an agreement with Noranda Pacific Pty Ltd (now Xstrata Frieda River Ltd – "XFRL" following the merger between Noranda Inc and Falconbridge Ltd in June 2005 and the subsequent acquisition of Falconbridge by Xstrata in August 2006).

Under this agreement, XFRL obtained an option to acquire an interest in the Frieda River property and an option to acquire an interest in the Nena deposit area by funding an initial period of exploration and in the case of Nena paying the Company US\$10.8 million. XFRL exercised its Frieda River option on 22 Jan 2007. After exercise of that option, interests in the Frieda River project are now Highlands 18.8%, XFRL 81.82%.

To maintain its interest in Frieda River project, XFRL must:

- By 20 January 2012, 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 XFRL withdraws from the joint venture
- 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.



The Frieda River Project is one of the world's largest undeveloped copper and gold deposits



Frieda River - Current Resources

Nena Deposit	51mt @ 2.43% Cu, 0.57glt Au
Horse/Ivaal/Trukai deposit	1,060mt @ 0.53% Cu, 0.29glt Au
Koki deposit	274mt @ 0.4% Cu, 0.3 g/t Au
HPL share 2.5 million tonnes of copper and 3.2 million ozs of gold	

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

While XFRL has exercised its Frieda River option, at this time XFRL has not exercised its option over the Nena Deposit which is located within the Frieda River project tenement (EL 58). To exercise the Nena Deposit option XFRL must make a payment of US\$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 XFRL having exercised the Frieda River Option.



In November 2010 Xstrata completed the Frieda Project Pre-Feasibility Study indicating the potential for a multi-decade low operating cost mine.

The designed output averaging 246,000tpa copper and 379,000ozs pa gold in the first eight years of this multi-decade life mine has the potential to place Frieda in the top 15 of the world's current copper mines and amongst the lowest in operating costs due in part to low waste: ore strip ratios.

Xstrata is required to deliver the Bankable Feasibility Study (BFS) by January 2012 to maintain their 81.82% interest and management rights in the project. Highlands is free carried until the completion of the BFS.

The estimated US\$5.3bn capital investment includes a contingency of US\$655m (representing 13%) and will be further refined during the BFS. This capital investment includes US\$803m to be invested in a 160MW hydro-electric scheme which will underpin decades of cheap power for the project.

Life of mine (LOM) estimated average C1 cash operating costs of US\$0.58/lb (US\$1.25/lb excluding gold credits at US\$1,000/oz). These projected costs would place the project in the lowest 30th percentile on the Brook Hunt Copper Cost Curve in 2017. Opportunities for project improvement have been identified by the PFS process and will be brought in during the BFS stage, in particular waste rock handling studies, plant site location and waste and tailings disposal.

Xstrata have committed to spend US\$122m in 2011 in order to complete the Frieda Copper Gold Project Feasibility Study by January 2012.

Disclaimer

Full details of the Frieda River Resource and Reserve can be found in the current Highlands Pacific Annual Report which can be obtained from the Highlands Pacific website (www.highlandspacific.com).