



23 March, 2010

Frieda Copper Gold Project, PNG

Highlands' interest increased to 18.18%

Equity share of 6.75% held by OMRD fully diluted

Highlands share of resources now 2.5mt of copper and 3.2moz of gold – increase of 200,000t of copper and 200,000ozs of gold

Highlands Pacific's equity share in the Frieda copper gold project in Papua New Guinea has increased from 16.95% to 18.18% following the decision by junior partner OMRD, a Japanese consortium of companies, to decline to fund its share of the US\$77.5 million 2010 exploration and development budget. Highlands' equity share in the Nena deposit also increases as a result of OMRD decision to withdraw, from 93.75% to 100%.

OMRD's 6.75% interest in the Frieda project (excluding the Nena deposit) will be distributed pro-rata between Highlands and farm-in partner Xstrata Frieda River Limited ("Xstrata"), a subsidiary of Xstrata Copper. Xstrata now holds an 81.82% share subject to the delivery of a bankable feasibility study by January 2012. OMRD's 6.75% interest in the Nena deposit returns in full to Highlands subject to an option that Xstrata holds to acquire 81.82% by payment of US\$10.8m to Highlands.

Highlands Pacific Managing Director Mr John Gooding said today: "The move by OMRD had been expected for some time and reflects a change in their business priorities".

Frieda Project Equity & Farm-in

Highlands Pacific now owns 18.18% of the exploration tenements that cover the major copper deposits in the Frieda district, namely the Horse-Ivaal-Trukai deposit (HIT) and the Koki deposit, while owning 100% of the Nena deposit. Highlands has a free-carried interest in the exploration and study activities associated with the Frieda copper gold project, whereby Xstrata must complete a feasibility study by January 2012 to maintain its share in the project. Should the study not be completed on time all data created and all rights to equity participation revert back to Highlands.

The Horse-Ivaal-Trukai deposit is the major focus of the Frieda copper project on which Xstrata will spend US\$77.5million Xstrata in 2010. In addition, Xstrata can acquire 81.82% of the Nena deposit through the payment of US\$10.8 million to Highlands by January 2012.

US\$1bn pa Cash Flow Potential at Current Metal Prices

"The January 2009 extended scoping study highlighted the potential for a multi-decade open-pit with an annual mill throughput rate of 40 million tonnes per annum to produce 160,000 tpa copper and 240,000 ozs per annum gold mine with a life-of-mine C1 cash cost of around US22c/lb." Mr Gooding said.

"If Frieda were in production today and with copper at US\$3.00/lb and gold at US\$1,000/oz, it would be generating gross operating cash flow of approximately US\$1bn pa, and it should be remembered that the cash costs in the start up years are less than the life-of-mine average of US22c/lb," he said.

"The pre-feasibility study is planned for completion by the third quarter 2010 and will provide another opportunity to look closely at the economics of the Frieda project at even higher production rates - upwards of 200,000 tpa copper and 300,000 ozs pa gold at 50 million tonnes per annum throughput."



Table 1: Horse-Ivaal-Trukai Mineral Resources at 0.3% Cu cut-off as at 23 December 2009

Category	MT	Cu(%)	Au(g/t)	Ag(g/t)
Measured	30	0.60	0.32	0.7
Indicated	390	0.57	0.33	0.8
Inferred	640	0.51	0.26	0.8
Total	1,060	0.53	0.29	0.8

Notes:

Mineral Resources stated are based on “HIT 2009, pre-feasibility Resource Model”. These figures 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 Tables 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 0.2% Cu cut-off

Category	MT	Cu(%)	Au(g/t)
Inferred	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
Indicated	37	2.67	0.63	0.8	143
Inferred	14	1.80	0.42	0.8	86
Total	51	2.43	0.57	0.8	127

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 Tables 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.



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

Market Capitalisation **A\$190m**
Cash on Hand (28/02/10) **A\$26m**

Directors

Ken MacDonald, *Chairman*
John Gooding, *Managing Director*
Mike Carroll
Rod Mitchell
Drew Simonsen
Fiu Williame-Igara

Management

Craig Lennon, *CFO & Co.Sec*
Larry Queen, *Chief Geologist*
Terry Smith, *GM Mining & BD*
Peter Jolly, *GM Projects*

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About Highlands Pacific Limited

Highlands Pacific is listed on the ASX and PoMSox exchanges. Its major development assets include the US\$1.4bn Ramu nickel cobalt project, the Frieda 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 and has cash reserves of A\$26 million with no debt.

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 (81.82%), Highlands (18.18%). Highlands has a free-carried interest through to completion of a bankable feasibility study (required by Jan 2012). Xstrata's spend for Frieda in 2009 was US\$38m and in 2010 will be US\$77.5m. An extended scoping study released in early 2009 indicated a 40Mtpa plant with a 27 year mine life averaging 160,000 tpa of copper and 240,000 ozpa of gold (with higher output in the first 10 years). 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 is planned to 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). At this time Highlands also has an option to acquire an additional 9.25% at fair market value which could increase its interest to 20.55%. From commissioning, Highlands has access to its pro-rata 8.56% share of Ramu's post-debt servicing net cash flow. Progressive commissioning commenced late in the December quarter 2009 and is expected to continue through the June quarter 2010. Production is expected to commence after that with a staged ramp up through the December quarter 2010 and into 2011.