

The Frieda River project which comprises the Nena, Horse/Ivaal/Trukai and Koki deposits, has an overall resource estimated at 16.7 billion pounds (7.5 million tonnes) of copper and 14.3 million ounces of gold and collectively forms one of the world's largest undeveloped copper and gold deposits. It is located near the border of the Sandaun and East Sepik Provinces in north western Papua New Guinea.

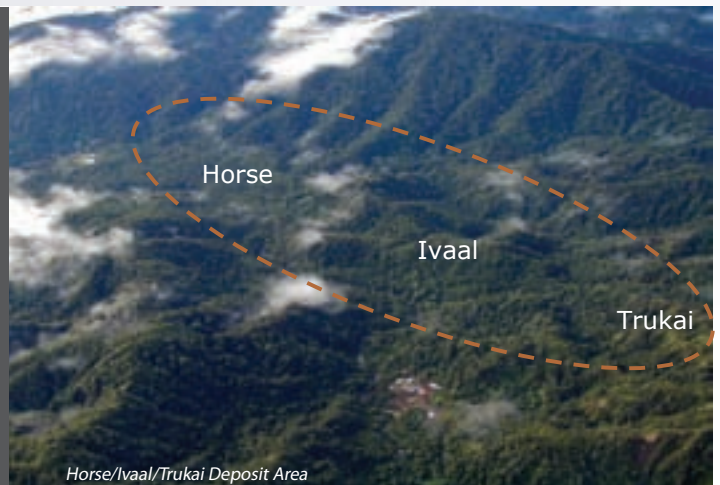
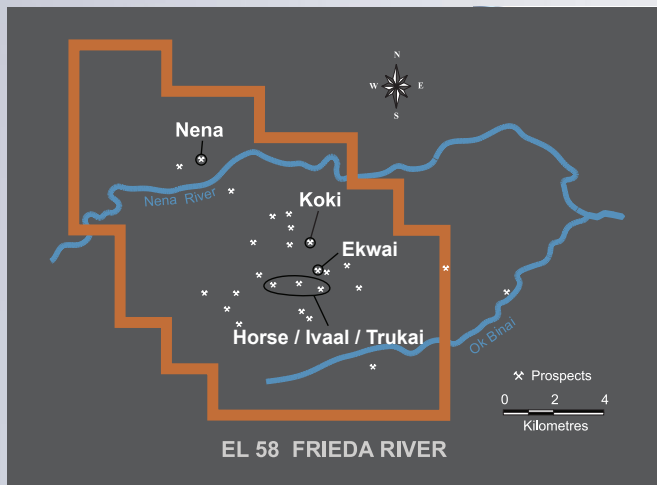
Recognising the potential size of the resource and the likely need for a partner in its development, the Company reached an agreement in January 2002 with Noranda Pacific Pty Ltd (now Xstrata Frieda River Ltd – "Xstrata", following the merger between Noranda Inc and Falconbridge Ltd in June 2005 and the subsequent takeover of Falconbridge by Xstrata in October 2006).

Under this agreement, Xstrata 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 USD 10.8 million. Xstrata exercised its Frieda River option on 22 January 2007. After exercise of that option and completion of the scoping study, interests in the Frieda River project were: HPL 16.4%; Xstrata 73.7%; and OMRD 9.9%. To maintain its interest in Frieda River, Xstrata must:

- by 23 January 2012, commission and arrange to have completed a feasibility study to a standard reasonably required by major financial institutions in connection with consideration of project financing;
- pay HPL's share of project expenditure until the completion of the feasibility study unless Xstrata withdraws from the Joint Venture; and
- should the project be developed, include HPL in any debt financing it arranges or alternatively provide HPL with a completion guarantee for any debt funding that HPL arranges.

Should Xstrata fail to complete the feasibility study or withdraw from the Joint Venture then all of Xstrata's interests in the Frieda River project will be transferred back to HPL at no cost.

To date Xstrata has not exercised its option over the Nena Deposit which is located within the Frieda River project tenements (EL 58) but is excised from the Frieda River option. To exercise the Nena Deposit option, Xstrata must make a payment of US\$ 10.8 million to HPL and then satisfy the same terms and conditions outlined above. The Nena Deposit option remains in place by virtue of Xstrata having exercised the Frieda River option.



The scoping study runs a number of sensitivities and one such has the following financial assumptions:

- Copper price US\$2.00/lb, gold price US\$700/oz; an allowance for inflation and TC/RCs;
- Fiscal regime: tax on distributed income of 37%; GST is not paid; accelerated depreciation; a limited tax holiday; and an allowance for a royalty or equivalent payments;
- Includes study costs from January 2008.

Other details of the project are as follows:

- CAPEX US\$2,574M;
- No contingencies are included; and
- Average C1 (real) over 26 years US\$0.81/lb payable copper net of gold credits at US\$700/oz.

Using this project model and financial assumptions, the Frieda River project has an NPV of US\$681M with an internal rate of return of 17.7% and a payback period of 3.5 years.

At a flat gold price of US\$500/oz the project break-even copper price is US\$1.68/lb.

The report also highlights that there is potential to capture more value from the Nena deposit in particular, and from the project in general, through further optimisation.

Project Schedule

The positive results of the scoping study encouraged the Joint Venture partners to approve a schedule for the completion of an extended scoping study in 2008. While Xstrata is still required to complete a bankable feasibility study for the project by no later than 23 January 2012, subject to the project continuing to meet project hurdles, work from 2008 forward will be predicated on a goal of completing a pre-feasibility study by the end of 2009 and the completion of the bankable feasibility study by mid-2011. This would allow project construction to start in 2012 and production to begin in 2016. HPL believes this is an aggressive but feasible timetable.

2008 Program

In order to meet the challenge of this accelerated timetable the Joint Venture partners have committed to a US\$25 million budget for 2008. We anticipate similar levels of expenditure will be required for the next several years in order to complete the feasibility study on time.

Work scheduled for the remainder of 2008 will focus on improving the confidence in the porphyry resource inventory. The program includes 16,000 metres of drilling at Horse/Ivaal/Trukai aimed at starting the process of converting the current Inferred resources to Indicated category and continuing infrastructure, environmental, process engineering, mine scheduling and planning studies. This data will allow further optimisation of the project in late 2008.



Community & Government Affairs

The Frieda River Joint Venture partners continue to work in concert with the people of the Frieda River area and Provincial and National Government to bring about the development of the Frieda River deposits for the benefit of all parties.

In 2008 the community affairs team will work to resolve outstanding land ownership claims in and around the project area through a collaborative effort with the National Government (through the Mineral Resource Authority) and the East Sepik and Sandaun Provincial Governments. An independent land specialist will be engaged to drive this process while laying the foundation for future land investigation surveys.

Following from comprehensive baseline reports prepared in 1996, the community affairs team will progress socio-economic baseline studies. These studies will provide valuable information for current operations as well as serve as a precursor to the social and environmental impact study, part of the feasibility study.

The project will also continue to work with Provincial Governments and other stakeholders to facilitate the improvement of education and health services in the region. In addition, the project will expand its adult literacy and numeracy program that was successfully trialled with employees in 2007.

Resource

The Nena, Horse/Ivaal/Trukai and Koki deposits are now estimated to collectively contain approximately 16.7 billion pounds (7.5 million tonnes) of copper and 14.3 million ounces of gold.

The resources at the Nena and Frieda River deposits are summarised in the tables below, both are shown at a 0.2% and 0.5% copper lower cutoff grade:

| Nena Deposit – Identified Mineral Resource (0.2% Cu lower cut off) | | | | | | | | | | | | |
|---|----------|-----|--------|-----------|-----|--------|----------|-----|--------|-------|-----|--------|
| Resource Style | Measured | | | Indicated | | | Inferred | | | Total | | |
| | Mt | Cu% | Au g/t | Mt | Cu% | Au g/t | Mt | Cu% | Au g/t | Mt | Cu% | Au g/t |
| Gold resource | 13.8 | 0.1 | 1.4 | 3.4 | 0.1 | 1.4 | 0.8 | 0.1 | 1.5 | 18.0 | 0.1 | 1.4 |
| Copper resource | 40.4 | 2.1 | 0.5 | 31.4 | 1.9 | 0.4 | | | | 71.8 | 2.0 | 0.5 |

Notes:

1. Copper resource – lower cut off grade 0.2% copper, Gold resource – lower cut off grade 0.6 g/t gold

| Nena Deposit – Identified Mineral Resource (0.5% Cu lower cut off) | | | | | | | | | |
|---|----------|------|--------|-----------|------|--------|-------|------|--------|
| Resource Style | Measured | | | Indicated | | | Total | | |
| | Mt | Cu% | Au g/t | Mt | Cu% | Au g/t | Mt | Cu% | Au g/t |
| Copper resource | 27.0 | 2.94 | 0.65 | 18.8 | 2.96 | 0.45 | 45.8 | 2.95 | 0.6 |

Notes:

1. Copper resource – lower cut off grade 0.5% copper,
2. The Nena copper resource estimate is based on and accurately reflects information compiled by Stan Clemmer, who was employed by Falconbridge and has relevant experience sufficient to qualify as a competent person as defined in the Australian Code for reporting of Identified Mineral Resources and Ore Reserves 1999. Mr Clemmer consents to the inclusion in this report of the Nena resource estimate.

| Horse / Ivaal / Trukai Deposit - Identified Mineral Resource (0.2% Cu lower cut off) | | | | | | | | |
|---|-----|--------|----------|-----|--------|-------|-----|--------|
| Indicated | | | Inferred | | | Total | | |
| Mt | Cu% | Au g/t | Mt | Cu% | Au g/t | Mt | Cu% | Au g/t |
| 109 | 0.6 | 0.3 | 895 | 0.5 | 0.3 | 1005 | 0.5 | 0.3 |

| Horse / Ivaal / Trukai Deposit - Identified Mineral Resource (0.5% Cu lower cut off) | | | | | | | | |
|---|------|--------|----------|-----|--------|-------|------|--------|
| Indicated | | | Inferred | | | Total | | |
| Mt | Cu% | Au g/t | Mt | Cu% | Au g/t | Mt | Cu% | Au g/t |
| 74.6 | 0.63 | 0.4 | 360 | 0.6 | 0.4 | 434.6 | 0.60 | 0.4 |

Notes:

1. The Horse/Ivaal/Trukai resource is reported at a 0.5% Cu and a 0.5 ppm Au lower cut off grade.
2. The constraining envelope and mineralisation domains are based on 221 diamond and percussion drillholes.
3. Drill section spacing is generally 150 m N-S with infill drilling on 75m spacing in a portion of the Horse deposit. Hole spacing on section is variable but is commonly at 150m centres.
4. Constraining envelopes for grade estimation are based upon lower cutoff's of 0.2% Cu and 0.5 ppm Au.
5. Dry bulk density has been assigned according to domains and adjusted with depth based on results from 1,833 determinations.
6. Assay data within the constraining envelope comprises over 12,457 samples.
7. The resource estimate is quoted as dry tonnes and grade.
8. Raw sample data has been composited to 2 m prior to the interpolation of grade to parent block cell.
9. Outlier values are controlled by applying percentile top-cuts for gold and copper.
10. Block model cell size is 25 m N-S, 25 m E-W and 15 m RL.
11. Ordinary kriging has been used to assign grade values to model cells.
12. Data integrity, drill hole spacing, the number of holes on a section, and kriging variance were used to classify the resource as Indicated or Inferred.

The Horse/Ivaal/Trukai resource estimate is based on, and accurately reflects, information compiled by Mr Craig MacDougall and Mr Stefan Mujdrica who are Members of the Australasian Institute of Mining and Metallurgy. Mr MacDougall supervised the validation of the digital databases and interpretation of the geological model and Mr Mujdrica supervised the construction and reporting of the resource model. Mr MacDougall was employed by Noranda Pacific while Mr Stefan Mujdrica is employed with Snowden Mining Industry Consultants, all have relevant experience in relation to the mineralisation being reported on to qualify as Competent Persons as defined in the Australasian Code for reporting of identified mineral resources and ore reserves 1999. Mr MacDougall and Mr Mujdrica consent to the inclusion in this report of the summary Horse/Ivaal/Trukai resource estimate.

| Koki Deposit – Identified Mineral Resource (Inferred) | | |
|--|-----|--------|
| Mt | Cu% | Au g/t |
| 274 | 0.4 | 0.3 |

Note:

1. 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, and accurately reflects, information compiled by Mr I R Holzberger, Mr L D Queen and Mr S P Hitchman who are Members of the Australasian Institute of Mining and Metallurgy. Mr Queen is employed by HPL while Mr Holzberger and Mr Hitchman are former employees, all have relevant experience in relation to the mineralisation being reported on to qualify as Competent Persons as defined in the Australasian Code for reporting of identified mineral resources and ore reserves 1999. Mr Holzberger, Mr Queen and Mr Hitchman consent to the inclusion in this report of the summary Koki resource estimate.