



HIGHLANDS PACIFIC LIMITED ARBN 078 118 653
Incorporated in Papua New Guinea

Registered Office

PO Box 1486, Port Moresby NCD 121
Papua New Guinea
Level 1, Allotment 6, Section 58, Sir
Hubert Murray Highway
Boroko NCD
Papua New Guinea

Telephone: (675) 323 5966

Facsimile: (675) 323 5990

Website: www.highlandspacific.com

Registered Office in Australia

GPO Box 3086, Brisbane QLD 4001
Australia
Level 4, 167 Eagle Street

Brisbane Qld 4000
Australia

Telephone: (617) 3239 7800

Facsimile: (617) 3221 6727

Email: info@highlandspacific.com

27 January 2009

FRIEDA RIVER ADVANCES TO PRE-FEASIBILITY STATUS

Highlands Pacific (ASX: HIG) is pleased to announce that Xstrata Frieda River Limited, a wholly owned subsidiary of Xstrata Copper and the manager of the Frieda River copper gold project in PNG, is progressing the project into the pre-feasibility stage where yearly expenditure will be at similar levels to the 2008 year.

The Frieda River project is a Joint Venture between Highlands Pacific, Xstrata Copper (operating partner) and OMRD (Japanese consortium). Highlands Pacific has a 16.7% stake in the joint venture with a free carried interest to the completion of the Feasibility Study due in January 2012.

After the completion of the Extended Scoping Study in 2008, where expenditure was US\$30.1m, the project will now progress to the pre-feasibility stage which is estimated to take 18 months.

"This is outstanding news for the project, for Highlands and for the people of Papua New Guinea. With development at the Ramu nickel cobalt project progressing well and due for commissioning at the end of 2009, Highlands now has its second world class project on the brink of development. Highlands shareholders will be well rewarded for their support and patience when these two projects are eventually in production" said John Gooding, Managing Director of Highlands Pacific Limited.

The Extended Scoping Study defined an execution model with the following configuration:

- Open pit operation at Horse-Ivaal-Trukai mining 40Mtpa with a LOM strip ratio of 0.96;
- A two line concentrator delivering concentrate to be exported via a pipeline to a new port on the north coast of PNG;
- Copper concentrate production averaging approximately 600kt for the first 10 years then decreasing to an average of approximately 450kt for the balance of 27 years of mine life, with an average concentrate grade of 31%;
- On site hydro power generation;
- Construction commencing in 2012;
- Production commencing in 2016; and the
- Project delivering 4.29Mt copper metal (160,000tpa) and 6.41Moz (240,000 oz pa),

The Extended Scoping Study execution model does not include the Nena project at this stage, however further work is anticipated during the Pre-Feasibility Study.

The 2009 Pre-Feasibility Study program will include the following activities:

- 35-37,000m of drilling – consisting of in fill drilling, metallurgical samples, waste rock characterisation, geotechnical data for pit wall design; sterilisation drilling for infrastructure sites;
 - Revised resource estimate (approximately November 2009);
 - Preparation work for the mine plan and schedule;
 - Flotation test work on Nena ores;
 - Preparation for pilot plant;
 - Engineering design work on the hydro-electric dam including geotechnical evaluation;
 - Environmental baseline monitoring will continue;
 - Re-estimation of capital cost estimation from the Extended Scoping Study; and
 - Community affairs work aimed at resolving outstanding land ownership claims.
-

As part of the Extended Scoping Study and following the announcement of 29 September 2008 Highlands is also able to report further excellent results from drilling in the Horse-Ivaal-Trukai resource with significant intersections at a 0.2% Cu lower cutoff including:

278 metres @ 0.75% Cu and 0.40 g/t gold from 58 metres down hole;
 284 metres @ 0.50% Cu and 0.32 g/t gold from 62 metres down hole; and
 238 metres @ 0.79% Cu and 0.50 g/t gold from 214 metres down hole.

These holes are all within the known extent of the Horse/Ivaal/Trukai deposit and the results continue to demonstrate the world-class nature of this copper gold porphyry system.

The tabulated results below show all intercepts at a 0.2% Cu cut-off and higher grade portions at 0.5% cut-off. Maximum internal dilution in the zones quoted below is 6m.

Hole	East	North	Level	Azimuth	Dip	Depth (m)
155XC08	585345.16	9479742.311	479.888	210	-60	299.6
156XC08	585279.9461	9479812.718	585	30	-53	310.2
157XC08	584315.961	9480509.71	647.41	210	-50	248.4
158XC08	584983.934	9479844.35	578.077	210	-50	124.9
159XC08	585444.004	9479768.665	478.474	210	-50	196.2
160XC08	584232.363	9480382.388	666.969	210	-50	374.1
161XC08	585540.017	9479629.828	503.378	210	-50	57.8
162XC08	585327.738	9480012.168	595.93	210	-50	369
163XC08	585540.017	9479629.828	503.378	210	-60	326.9
164XC08	585528.8	9479760.41	474.9	210	-50	40.1
165XC08	585225.289	9479984.709	622.74	210	-50	326.6
166XC08	583737.541	9480405.176	755.422	210	-50	269.7
167XC08	584869.31	9479909.56	659	210	-60	323.6
168XC08	585479.9085	9480168.116	581	80	-60	300
169XC08	585437.549	9479602.361	501.529	80	-60	310.5
170XC08	584044.36	9480339.29	780.5	270	-60	329.3
171XC08	584925.435	9480071.061	632.655	30	-75	451.1
172XC08	585360.5495	9480221.096	533	210	-55	308.7
173XC08	584649.6067	9480343.931	644	210	-60	344.5
174XC08	585036	9480286	556	210	-60	466.8
175XC08	585437.549	9479602.361	501.529	260	-60	78.7
176XC08	584961.9522	9480308.778	573	210	-60	511.5
177XC08	583668.2734	9480457.259	753.822	30	-60	309
178XC08	584708.231	9480291.931	607.958	210	-50	194.9

Hole	From	To	Interval (m)	Cu%	Au (ppm)	Core Recovery (%)
155XC08	12	216	204	0.44	0.28	76
	226	258	32	0.33	0.11	100
	278	300	22	0.17	0.08	100
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	18	34	16	0.67	0.96	91
	46	58	12	1.15	0.38	81
	66	68	2	0.58	0.32	95
	102	104	2	0.64	0.29	86
	126	130	4	0.74	0.20	75
	138	140	2	0.52	0.23	64
	154	156	2	0.56	0.25	80
	166	168	2	0.52	0.25	100
	198	202	4	0.51	0.20	90
	246	248	2	0.55	0.81	100

156XC08	4	54	50	0.52	0.49	57
	66	78	12	0.30	0.17	72
	86	98	12	0.35	0.15	81
	142	294	152	0.33	0.16	94
	302	304	2	0.21	0.50	80
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	12	32	2	0.76	0.81	62
	76	78	2	0.74	0.27	75
	182	184	2	0.64	0.30	95
	192	194	2	0.53	0.25	95
	208	210	2	0.61	0.22	100
	234	236	2	0.53	0.23	85
157XC08	46	128	82	0.56	0.23	88
	160	164	4	0.24	0.01	79
	180	184	4	0.59	0.21	50
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	56	116	60	0.67	0.28	87
	182	184	2	0.72	0.34	75
158XC08	12	106	94	0.42	0.14	56
	116	124	8	0.19	0.07	43
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	18	20	2	0.57	0.14	100
	30	54	24	0.60	0.22	69
	66	70	4	0.57	0.19	29
	82	84	2	0.61	0.15	75
	102	104	2	0.54	0.17	26
160XC08	48	52	4	0.21	0.09	45
	68	82	14	0.21	0.14	95
	98	106	8	0.20	0.08	100
	118	140	22	0.28	0.06	89
	148	246	98	0.46	0.08	91
	254	374	120.1	0.54	0.19	93
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	124	126	2	0.80	0.08	100
	148	150	2	0.50	0.14	45
	160	190	30	0.62	0.09	98
	198	200	2	0.62	0.07	100
	214	240	26	0.50	0.09	97
	270	272	2	0.55	0.06	100
	280	306	26	0.56	0.14	93
	320	374	54.1	0.69	0.26	93
161XC08	34	42	8	0.33	0.07	59
	50	52	2	0.20	0.12	77
163XC08	32	70	38	0.26	0.08	59
	94	96	2	0.23	0.07	100
	128	130	2	0.23	0.10	55
	146	184	38	0.18	0.08	89
	212	256	44	0.23	0.07	100
	264	278	14	0.23	0.10	98
	310	312	2	0.28	0.06	100
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	36	38	2	0.62	0.09	60



164XC08	20	38	18	0.60	0.22	71
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	22	38	16	0.63	0.22	75
165XC08	6	8	2	0.29	-0.01	50
	130	324	194	0.40	0.32	91
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	140	188	48	0.59	0.39	78
	206	210	4	0.59	0.40	80
	232	234	2	0.63	0.37	100
166XC08	66	136	70	0.47	0.18	65
	152	154	2	0.25	0.04	95
	224	226	2	0.22	0.05	90
	244	250	6	0.31	0.08	82
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	66	102	36	0.62	0.30	67
	110	112	2	0.59	0.13	95
	248	250	2	0.57	0.21	80
167XC08	62	124	62	0.36	0.08	66
	138	324	186	0.28	0.08	89
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	64	68	4	0.78	0.10	76
	104	114	10	0.64	0.18	53
	194	196	2	0.50	0.16	100
168XC08	50	102	52	0.50	0.25	83
	110	116	6	0.35	0.07	80
	266	300	34	0.24	0.08	86
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	54	58	4	1.02	0.14	93
	76	98	22	0.63	0.21	85
169XC08	44	76	32	0.24	0.09	97
	90	96	6	0.23	0.07	93
	112	114	2	0.26	0.09	60
	122	142	20	0.27	0.09	57
	152	154	2	0.45	0.15	100
	182	184	2	0.30	0.13	92
	200	246	46	0.25	0.09	88
	254	278	24	0.27	0.08	98
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	138	140	2	0.61	0.15	30
	228	230	2	0.51	0.19	95
	270	272	2	0.50	0.10	98
170XC08	52	330	278	0.75	0.49	85
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	60	88	28	1.12	0.09	93
	122	330	208	0.81	0.63	83
171XC08	14	22	8	0.18	0.99	73
	40	48	8	0.26	0.81	85
	56	204	148	0.71	0.41	89
	214	452	238	0.79	0.50	98
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	58	114	56	1.39	0.76	85

	134	136	2	0.94	0.69	93
	146	148	2	0.60	0.29	100
	166	182	16	0.61	0.28	94
	224	226	2	0.53	0.16	100
	246	254	8	0.83	0.62	98
	262	452	190	0.90	0.56	98
173XC08	4	6	2	0.56	0.14	98
	28	38	10	0.35	0.08	78
	46	48	2	0.22	0.11	66
	62	346	284	0.50	0.32	92
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	4	6	2	0.56	0.14	98
	34	36	2	0.51	0.10	85
	74	76	2	0.57	0.37	75
	94	122	28	0.75	0.39	95
	136	158	22	0.60	0.32	93
	174	188	14	0.50	0.25	86
	214	220	6	0.66	0.31	75
	242	250	8	0.58	0.34	93
	260	262	2	0.55	0.41	90
	290	294	4	0.63	0.23	100
	302	336	34	0.78	0.72	99
175XC08	22	24	2	0.26	0.03	85
	40	44	4	0.42	0.06	100
	74	78.7	4.7	0.21	0.06	60
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	40	42	2	0.52	0.08	100
178XC08	10	192	182	0.51	0.31	83
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	10	20	10	1.24	0.29	78
	34	36	2	0.72	0.57	82
	82	84	2	0.63	0.56	100
	100	146	46	0.74	0.36	67
	156	186	30	0.46	0.27	81

Notes:

The following statements apply to the Horse/Ivaal/Trukai exploration results:

- Mineralised intersections are quoted as down hole widths. The porphyry mineralisation occurs as disseminations and vein stockworks.
- Collar locations are in UTM Zone 54 co-ordinates using the AGD66 horizontal datum.
- Drill core is PQ, HQ or NQ size.
- Assays were carried out on half sawn core. The half core is crushed and pulverized to ~ 180 mesh on site. 200 gram samples are despatched for assay. QAQC control samples make up approximately 10% of each batch sent for analysis. The unused half core is stored on site.

- *Samples were analysed at ALS-Chemex in Townsville. Gold is by 50g fire assay and copper by ICP-AES on an aqua regia digest. Samples assaying greater than 0.5% Cu are re-assayed using an ore grade method suitable for higher grade samples.*
- *Hole positions are based on surveys of the drill pad. Actual collars are within 10m of stated locations.*
- *The exploration results reported here are based on information compiled by Mr L.D. Queen who is a member of the Australian Institute of Mining and Metallurgy, and who is employed by Highlands Pacific Limited. Mr Queen has sufficient experience relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition". He consents to the inclusion in the report of the matters based on the information compiled by him in the form and context in which it appears.*

Also as a part of the Extended Scoping Study, Highlands is able to provide an update to the Mineral Resource estimate for the Horse-Ivaal-Trukai porphyry copper deposit. The estimated Indicated and Inferred Mineral Resource for the Horse-Ivaal-Trukai deposit is 840 million tonnes at a grade of 0.53% copper and 0.28 grams per tonne gold, at a copper cut off grade of 0.3%, as summarized in Table I. At a copper cut off grade of 0.5%, the estimated Indicated and Inferred Mineral Resource for Horse-Ivaal-Trukai is 420 million tonnes grading 0.67% copper and 0.34 grams per tonne gold as summarized in Table II.

The new resource estimate is based on a total of 41,000 metres of core in 161 drill holes. This includes the addition of 7,125 metres in 23 new holes drilled in 2008. Drill holes corresponding to the initial drilling phase completed from 1969 to 1971 have been excluded from this estimate due to the unavailability of appropriate records at the time of the estimate. This set of data contains 26,800 metres of further potential information; the project team is working on upgrading the quality and completeness of historical records to enable this information to be considered in future estimates.

This new resource estimate is tabulated using a cut off grade of 0.3% and 0.5% on total copper while previous estimates used a 0.2% cut off on total copper.

Table I: Horse-Ivaal-Trukai deposit estimated Mineral Resource using a 0.30% copper cut-off

Resource Category	Tonnage (Mt)	Cu %	Au g/t
Indicated	90	0.61	0.37
Inferred	750	0.53	0.26
Total	840	0.53	0.28

Table II: Horse-Ivaal-Trukai deposit estimated Mineral Resource using a 0.50% copper cut-off

Resource Category	Tonnage (Mt)	Cu %	Au g/t
Indicated	60	0.73	0.42
Inferred	360	0.67	0.32
Total	420	0.67	0.34

Note: These figures are constrained by topography; no economic pit has been applied to constrain the estimate. Numbers have been rounded to two significant figures for tabulation.

Note:

The information in the report that relates to Mineral Resources 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 more information of the Frieda River project please refer to the company's website – www.highlandspacific.com

For further information contact:

Mr John Gooding

Managing Director

Highlands Pacific Ltd

Phone: (61 7) 3239 7800

or

Mr Craig Lennon

Chief Financial Officer

Highlands Pacific Ltd

Phone: (61 7) 3239 7800

Mr David Waterhouse

Waterhouse IR

Investor Relations

Phone: (61 3) 9670 5008

Mr Brian Thornton

Farrington Group

Media Relations

Phone: (61 2) 9332 4448

