



23 January 2012

Xstrata Copper exercises Frieda River Nena Option

Highlands to receive US\$10.8m within the coming month

Xstrata Copper has advised it will exercise its US\$10.8 million option over the high-grade Nena copper/gold deposit in Papua New Guinea and include it in the Frieda River copper/gold project joint venture.

Highlands will receive the proceeds in the coming month, increasing its cash at bank to approximately US\$17m.

Until now the high-grade Nena deposit (51 million tonnes at 2.4% copper) has remained outside of the Frieda River copper/gold joint venture. The option which expires today (23 January 2012) dates back to a 2002 agreement between Highlands and Noranda (with Noranda subsequently being acquired by the Xstrata group).

By exercising this option, Xstrata Copper will hold 81.82% interest (and Highlands 18.18% interest) in the entire Frieda River project area inclusive of the major copper porphyry deposits such as Horse, Ivaal, Trukia and Koki and a number of other prospects within Exploration Licence EL58.

Managing Director of Highlands Pacific Mr John Gooding said today: "Xstrata Copper exercising this option further demonstrates their belief in the potential of the Frieda River Project. This will take their Project spend to date to over US\$270m, and with the finalisation of the feasibility study this December, the total Project spend will be approximately US\$290m."

"Including Nena, the Frieda River joint venture has a truly world class resource inventory of almost 11.6 Mt (25.6 billion pounds) of contained copper, 18.2 Moz of gold and 49 Moz of silver."

"Highland's 18.8% share of this at 2.1 Mt (4.6 billion pounds) of contained copper, 3.3 Moz of gold and 8.9 Moz of silver is a significant endowment for a junior company and we have the benefit also that much of this inventory is in the highest resource confidence levels.

Xstrata Copper is currently completing a Feasibility Study, required by 21 December 2012. Highlands has been 'free carried' by Xstrata Copper through to 23 January 2012 (today), and will now be carried, under a carried funding loan arrangement, through to the lodgement of a Special Mining Lease application for the Project.

For further information, please contact:

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Media Enquiries to:

Simon Jemison
Collins Street Media - 03 9224 5319



Table 1: Horse-Ivaal-Trukai Mineral Resources at 0.20% Cu cut off. As at 25 August 2011.

Category	MT	Cu(%)	Au(g/t)	Ag(g/t)
<i>Measured</i>	780	0.51	0.28	0.79
<i>Indicated</i>	410	0.44	0.20	0.72
<i>Inferred</i>	900	0.39	0.17	0.68
Total	2090	0.45	0.22	0.70

Notes:

The Mineral Resources stated are based on “HIT 2010, feasibility study Mineral 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 0.20% Cu cut off

Category	MT	Cu(%)	Au(g/t)
<i>Inferred</i>	274	0.44	0.3

Notes:

1. The Koki deposit has been intersected by 30 drill holes on a nominal 150 m x 300 m grid.
2. 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 0.50% Cu cut off

Category	MT	Cu(%)	Au(g/t)	As(%)	Sb ppm
<i>Indicated</i>	37	2.67	0.63	0.21	143
<i>Inferred</i>	14	1.80	0.42	0.13	86
Total	51	2.43	0.57	0.19	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: 686 million

Options on Issue: 23 million

Performance Rights: 3.6 million

Market Capitalisation ~ **A\$100m**

Cash on Hand (31/12/11) **A\$6.5m**
(excluding the Nena receipt of US\$10.8m)

Directors

Ken MacDonald, Chairman

John Gooding, Managing Director

Mike Carroll

Dan Wood

Drew Simonsen

Fiu Williame-Igara

Management

Craig Lennon, CFO & Co.Sec

Larry Queen, Chief Geologist

Terry Smith, GM Mining & BD

Peter Jolly, GM Projects

Ron Gawi, GM Port Moresby

For further information, please contact:

John Gooding or Craig Lennon

Highlands Pacific - 07 3239 7800

Media Enquiries to:

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Website:

www.highlandspacific.com

About Highlands Pacific Limited

Highlands Pacific is a PNG incorporated and registered mining and exploration company listed on the ASX and PoMSox exchanges. Its major development assets include the US\$1.5bn Ramu nickel cobalt project, the Frieda River copper gold project and exploration on the highly prospective Star Mountains (Nong River and Tifalmin) licenses approximately 20km north of the Ok Tedi Mine. Highlands also holds exploration ground in the Wau/Bulolo close to the new Hidden Valley and Wafi gold projects.

Frieda River Copper/Gold Project*

The Frieda River copper gold project is one of the Asia-Pacific's largest undeveloped copper/ gold resources. The Project is 175kms north-west of the giant Porgera gold mine and 75 km north-east of the Ok Tedi mine. The project owners are Xstrata (81.82% and manager) and Highlands (18.18%). The pre-feasibility study released in November 2010 indicated a 60Mtpa throughput for the first eight years with output averaging 246,000tpa of copper and 379,000ozpa of gold. The multi-decade life mine will have an average throughput of 50Mtpa.

Star Mountains Prospects*

Star Mountains licenses, which include Nong River EL1312 and Tifalmin EL 1392, are located approximately 20km north of the Ok Tedi Mine. These prospects lie within the highly prospective New Guinean Orogenic Belt, home to deposits like Grasberg, Ok Tedi, Frieda, Porgera and Hidden Valley. A drilling program is underway with some significant copper gold intersections reported.

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 nomination, 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%.

* Subject to the right of the Independent State of Papua New Guinea to acquire a 30% equity interest in any mining development in that country.