

ASX Release: 23 July, 2010

Quarterly Activities Report - for the period ended 30 June 2010

ASX Code: HIG

Shares on Issue: 669 million

Options on Issue: 40 million

Shareholders: ~8,700

*Ramu Nickel project
to commence
production late 2010*

*60 Mtpa Frieda Copper Gold
Pre-feasibility Study to be
released in Sept quarter*

Directors

Ken MacDonald, *Chairman*

John Gooding, *Managing Director*

Drew Simonsen

Mike Carroll

Dan Wood

Fiu Williame-Igara

Management

Craig Lennon, *CFO & Co.Sec*

Terry Smith, *GM Mining & BD*

Larry Queen, *Chief Geologist*

Peter Jolly, *GM Technical*

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HIGHLIGHTS

Ramu Nickel (8.56% with potential to move to 20.55%)

- Project fully funded with no recourse to Highlands.
- Progressive commissioning work continues with final product expected to be produced in the December quarter 2010 and staged ramp up into 2011.
- 135km slurry pipeline completed ready for accepting slurry from Kurumbukari mine site.
- An interim court injunction remains in place preventing the installation and operation of the Deep Sea Tailings Placement system. Hearing due to commence in the National Court of PNG in August. The PNG Government has passed an Environmental Regulation reaffirming the validity of the project's environment permits and how they transition from the previous Environment Act to the new Act.

Frieda Copper Gold Project (18.18%)

- US\$16.3m expenditure for the quarter (US\$32.2 million year in 2010) with Highlands free carried.
- 15,405 metres drilled for the quarter (25,041m drilled year in 2010).
- Pre-feasibility Study remains on track for release in the September quarter 2010.
- Pre-feasibility Study to be based on a 60mtpa throughput model for the first seven years of production (compared to 40Mtpa in Scoping Study).

Exploration

- Exploration program at the Star Mountain area (Tifalmin EL 1392 and Nong River EL 1312) hampered by poor weather conditions. Exploration pads developed but drilling delayed until the end of July and the airborne electromagnetic survey to commence in October / November this year.

Corporate:

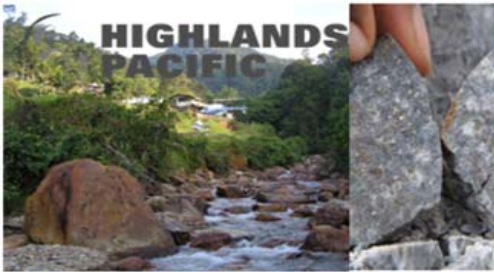
- Cash reserves at the end of the quarter of US\$20.7 million (or AU\$24.2 million).

SUMMARY COMMENTS by Managing Director John Gooding

"The Frieda Copper Project is shaping up as a great asset and the Pre-feasibility Study by our JV partner Xstrata is only a couple of months away and due during the September quarter.

The delay in exploration at Star Mountain is disappointing and it appears that initial logistical issues have pushed us into a seasonal time where weather conditions can restrict the number of flying hours required each day. Our aim now is to commence drilling by the end of July with most of the equipment on site and only some remaining consumables to be air lifted.

At Ramu the interim injunction on the DSTP is extremely disappointing for all stakeholders; however we look forward to the substantive hearing in the National Court commencing so we can argue the case. The PNG Government's intervention in passing an Environmental Regulation re-affirming the project's environment permits is encouraging and should assist the hearing."



About Ramu Nickel Cobalt Project

Location: Ramu is located 75 km west of the provincial capital of Madang, PNG.

Resource: An updated feasibility study released in 2007 showed 3.4 mtpa at 1.01% Nickel and 0.10% cobalt to sustain a minimum 20 year mine life. The mineral resources at Ramu have the potential to increase the mine life by a further 15-20 years.

Production: The Basamuk treatment plant will have an annual production of 31,150 tonnes of nickel and 3,300 tonnes of cobalt.

Share: Highland's share of product based on its 8.56% share is 2,666 tpa of nickel and 282 tpa of cobalt, rising to 3,520 tpa of nickel and 373 tpa of cobalt when equity increases to 11.30%.

Equity: Highlands has an 8.56% interest in the Ramu project which will increase to 11.3% at no cost to the Company after repayment of the debt raised to finance the project has been completed from operating cash flow (estimated to be 8 years). Highlands also has an option to acquire an additional 9.25% at fair market value which could increase its interest to 20.55%.

It should be noted that the development of the Ramu project will be non-recourse to HPL with respect to the debt funding, while the equity funding is a free carry to HPL in respect to its 8.56% interest.

From commissioning, Highlands is able to have access to its pro-rata 8.56% share of Ramu's post-debt servicing net cash flow.

RAMU NICKEL PROJECT (8.56% with potential to move to 20.55%)

In March the National Court of Madang, PNG, issued an interim injunction preventing the project from installing and operating a Deep Sea Tailings Placement (DSTP) system. An appeal to the Supreme Court in July 2010 to have the interim injunction overturned was not successful and now the defendants, who include the project manager, the Mineral Resources Authority (MRA) of PNG, the Department of Environmental Conservation and the PNG Government, will argue the case in a substantive hearing in the National Court of Madang.

In June 2010 the PNG Government passed an Environmental Regulation reaffirming the validity of the project's permits and how they transition from the previous Environment Act to the new Act and it is hoped that this will assist the hearing.

All other progressive commissioning work continues with final product expected to be produced in the December quarter 2010 with a staged ramp up into 2011.

Project fully funded for a total cost of US\$1.4 billion. Any increase in final costs has no recourse to Highlands.

MCC Ramu NiCo Limited owns 85% of the Ramu Nickel Cobalt project and is a 61% owned subsidiary of the Hong Kong and Shanghai listed Metallurgical Corporation of China Limited (MCC) which through its 100% owned Ramu NiCo Management (MCC) Limited is the project manager.

Metallurgical Corporation of China Limited (MCC) (Fortune 500 Company) is China's multidisciplinary multinational company, well known for its significant experience and strength in scientific research, industrial engineering practice and international trading. MCC are engaged in engineering, procurement and construction activities, mining, papermaking, equipment fabrication, real estate development and the provision of related services.

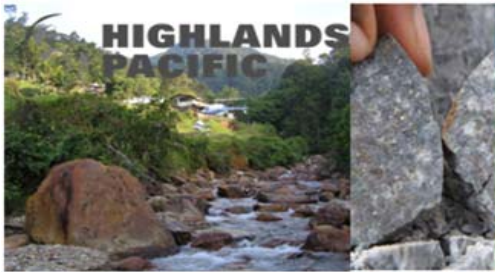
MCC is a major driving force behind the growth of China's steel industry and a major contractor on a number of key projects in China and the Asia Pacific region, including Australia. In 2009, the company had total assets of approximately US\$8 billion, revenues of US\$23 billion and it has over 50,000 technical and managerial employees.

Other Chinese parties involved with MCC are Jinchuan Group Limited; Jilin Jien Nickel Industry Co., Ltd.; and Jiuquan Iron and Steel (Group) Co., Ltd. These are all major players in the steel and nickel industry in China. Jinchuan is also the largest producer of nickel metal and cobalt in China and is the fifth largest in the world. It has been very active in the Australasian market in both signing off-take agreements and taking holdings directly in companies. Jilin is one of the largest producers of nickel sulfate in the world and Jiuquan is a major domestic iron and steel smelting company which is listed in the top 500 of Chinese national enterprises.



Ramu project - Kurumbukari mine site.





About Frieda River Copper Gold Project

Location: The Frieda River project is one of the world's largest undeveloped copper/ gold resources.

Owners: The project owners are Xstrata Frieda River Limited (81.82%) and Highlands (18.18%). Highlands has a free-carried interest in the Frieda project through to completion of a Bankable Feasibility Study (required to be completed by January 2012).

The adjacent Nena project is 100% owned by Highlands, however Xstrata have an option to move to the same percentage as above by paying Highlands US\$10.8m.

Studies: The project is currently the subject of an 18-month pre-feasibility study due in third quarter 2010.

Studies to support an Environmental Impact Assessment are nearing completion.

Scale: The results of an extended scoping study were released in early 2009 and envisaged a 40Mtpa plant with production over an initial 27 year mine life averaging 160,000 tonnes of copper metal and 240,000 ounces of gold per year.

2009:

Xstrata's actual expenditure for 2009 was US\$38.0 million.

37,388m drilled in the 2009 year.

Frieda River copper / gold project (18.18%)

- Project in pre-feasibility stage – to be completed in third quarter 2010.
- US\$16.3m expenditure for the quarter (US\$32.2 million year in 2010) with Highlands free carried. Budget US\$77.5m for the 2010 year.
- 15,405m drilled for the quarter (25,041m year in 2010).
- Project remains on schedule for the release of the Pre-feasibility Study in the September quarter 2010 with an execution model based on a 60Mtpa throughput for the first seven years of production up from the 40Mtpa throughput used in the earlier studies. At the higher throughput rates copper production is expected to average of 260,000 tonnes of copper metal and 390,000 ounces of gold contained in concentrate for the first seven years. Future optimisation work, post the current study, will look at the viability of maintaining those higher rates of production for a longer period.

Highlands Pacific is exploring the Frieda River porphyry copper/gold deposit in joint venture with Xstrata Frieda River Limited (Xstrata). Xstrata is funding Highlands' share of the expenditure until completion of the Feasibility Study. The project progressed into the Pre-Feasibility stage at the beginning of 2009.

The **December 2008 Extended Scoping Study** defined a project 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;
- On site hydro power generation.
- Construction commencing in 2012 and production commencing in 2017.

The **2009-10 Pre-Feasibility Study program** has progressed the following activities:

- Review mill throughput at 60Mtpa rate for at the first seven years of the project.
- 37,388m of drilling in 132 holes consisting of 25,706m of resource infill drilling and 11,682m of sterilization and geotechnical drilling.
- Revised resource estimate completed in mid January 2010 – increasing resource tonnage by 26%.
- Appointment by Xstrata (as the manager of the project) of Bechtel to provide technical services in relation to the overall project evaluation.
- Draft Pre-Feasibility Study on the potential hydroelectric power generation.
- Environmental baseline monitoring and commence Environmental Impact Assessment studies.
- Land ownership studies.
- Community and Government engagement.

The Frieda River project covers Exploration Licences 58 and 1212, with the Nena Deposit subject to Xstrata making a further option payment of US\$10.8million to Highlands for it to be included. The Frieda River project is a Joint Venture between Xstrata 81.82% and HPL 18.18%. To retain its interest in the project, Xstrata must complete a Bankable Feasibility Study by January 2012.



Exploration Focus

A number of highly prospective exploration leases.

Nong River and Tifalmin US\$3m exploration program. Both only 20km from Ok Tedi mine.

EXPLORATION

- Exploration activities for the US\$3m exploration program over the known copper gold porphyry prospects covered by the Star Mountain area (Nong River and Tifalmin exploration licences) have been severely hampered by weather. The program is fully helicopter supported and it has been extremely difficult to achieve sufficient flying hours in order to place the drilling equipment together and support it with enough ongoing supplies at site.
- The airborne electromagnetic survey will now be re-scheduled until October / November to allow for expected improved seasonal weather patterns.
- Exploration activities when commenced will consist of 2,500km of airborne electromagnetic survey over both Tifalmin and Nong River licences and 2,400m of diamond drilling.
- The Tifalmin EL is 100% owned by Highlands while the Nong River EL is subject to a joint venture agreement with Xstrata where they have the ability to earn a 72% interest in the joint venture by producing a Bankable Feasibility Study by the year 2019. During 2009 Highlands exercised its right to sole fund its own exploration program and retain 100% of the joint venture relating to the Nong River EL in the absence of an Xstrata exploration program. Xstrata has the right to reclaim a 72% interest by paying Highlands three (3) times the exploration expenditure incurred by Highlands at the time Highlands presents a Pre-feasibility Study. There are no time deadlines on when Highlands must produce a Pre-feasibility Study to Xstrata.
- There was no activity at the exploration license at Wau-Bulolo area (EL 1340 – 100% owned) containing the Yangalemu and Kobiak prospects.

Corporate Focus

A Papua New Guinea (PNG) based diversified mineral resource company.

CORPORATE – Cash Reserves \$US20.7 Million

- Cash reserves at the end of the quarter of US\$20.7 million (or AU\$24.2 million) – funds held in both AUD and USD holdings.



ATTACHMENT 1

LIST OF MINING TENEMENTS

Tenement Reference	Beneficial Interest at Commencement of Period	Beneficial Interest at End of Period
Exploration (Highlands Pacific Resources Limited)		
EL 1340	100% Note 1	100% Note 1
EL 1312	100% Note 1, 3	100% Note 1, 3
EL 1392	100% Note 1	100% Note 1
ELA's 1761, 1780 and 1781	100% Note 1	100% Note 1
Frieda River Project (Highlands Frieda Limited)		
ELs 0058, 1212, 1654, 1655, 1656, 1657, 1658, 1659, 1744, 1745 and 1746.	18.18% Note 1, 2	18.18% Note 1, 2
Ramu Project (Ramu Nickel Limited)		
SML 8	8.56%	8.56%
ML 149	8.56%	8.56%
LMPs 42, 43, 44, 45, 46, 47, 48 and 49	8.56%	8.56%
MEs 75, 76, 77, 78 and 79	8.56%	8.56%
ELs 193 and 1178	8.56%	8.56%

NOTES

- 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.
- Highlands Pacific retains a 100% interest in the Nena Deposit (part of EL 0058), which is subject to an Option Agreement with Xstrata.
- Xstrata was the right to claw back 72%.
- Definitions:

EL	-	Exploration Licence
ELA	-	Exploration Licence Application
SML	-	Special Mining Lease
ML	-	Mining Lease
LMP	-	Lease for Mining Purpose
ME	-	Mining Easements



APPENDIX 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HIGHLANDS PACIFIC LIMITED

ACN or ARBN

ARBN 078 118 653

QUARTER ENDED ("CURRENT QUARTER")

30 JUNE 2010

NOTE: As Highlands operating and mining development decisions are based on US dollars, Highlands Directors have adopted the US dollar as Highlands functional and management reporting currency. For ease of understanding by the Australian and PNG investment communities, results have been converted, in this report, to \$A at the rate ruling at the end of the quarter of \$A/\$US 0.8523.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter \$US'000	Current quarter \$A'000	Year to date (6 months) \$US'000	Year to date (6 months) \$A'000
Cash flows related to operating activities				
1.1 Receipts from product sales and related debtors	3	4	6	7
1.2 Payments for:				
(a) exploration and evaluation	(778)	(913)	(934)	(1,096)
(b) development	-	-	-	-
(c) production	-	-	-	-
(d) administration	(1,070)	(1,255)	(2,471)	(2,899)
1.3 Dividends received	-	-	-	-
1.4 Interest and other items of a similar nature received	128	150	307	360
1.5 Interest and other costs of finance paid	-	-	-	-
1.6 Income taxes paid	-	-	-	-
1.7 Other	-	-	-	-
Net Operating Cash Flows	(1,717)	(2,015)	(3,092)	(3,628)
Cash flows related to investing activities				
1.8 Payment for purchases of:				
(a) prospects	(181)	(212)	(365)	(428)
(b) equity investments	-	-	-	-
(c) other fixed assets	(1)	(1)	(11)	(13)
1.9 Proceeds from sale of:				
(a) prospects	-	-	-	-
(b) equity investments	-	-	-	-
(c) other fixed assets	-	-	-	-
1.10 Loans to other entities	-	-	-	-
1.11 Loans repaid by other entities	-	-	-	-
1.12 Other	-	-	-	-
Net investing cash flows	(182)	(214)	(376)	(441)
1.13 Total operating and investing cash flows (carried forward)	(1,899)	(2,228)	(3,468)	(4,069)



Cash flows related to financing activities					
1.14	Proceeds from issues of shares, options, etc	864	1,014	910	1,068
1.15	Proceeds from sale of forfeited shares	-	-	-	-
1.16	Proceeds from borrowings	-	-	-	-
1.17	Repayment of borrowings	-	-	-	-
1.18	Dividends paid	-	-	-	-
1.19	Other	-	-	-	-
	Net financing cash flows	864	1,014	910	1,068
	Net increase (decrease) in cash held	(1,035)	(1,214)	(2,558)	(3,001)
1.20	Cash at beginning of quarter/year to date	22,376	24,431	23,689	26,412
1.21	Exchange rate adjustments to item 1.20 - unrealised	(650)	1,060	(440)	866
1.22	Cash at end of quarter	20,691	24,277	20,691	24,277

Payments to directors of the entity and associates of the directors

Payment to related entities of the entity and associates of the related entities

	Current quarter		
	\$US'000	\$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	89	104
1.24	Aggregate amount of loans to the parties in item 1.10	nil	nil
1.25	Explanation necessary for an understanding of the transactions		
	Refer Quarterly Report		

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
	None
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
	None



Financing facilities available

	Amount available		Amount used	
	\$US'000	\$A'000	\$US'000	\$A'000
3.1 Loan facilities	Nil	Nil	n/a	n/a
3.2 Credit standby arrangements	Nil	Nil	n/a	n/a

Estimated cash outflows for next quarter

	\$US'000	\$A'000
4.1 Exploration and evaluation		
Wau/Bulolo	-	-
Nong River / Talifmin	1,250	1,467
Frieda (to be funded by joint venture)	-	-
Total Exploration and evaluation	1,250	1,467
4.2 Development		
Ramu (to be funded by joint venture)	-	-
Other	-	-
Total Development	-	-
4.3 Production	-	-
4.4 Administration	1,000	1,173
Total	2,250	2,640

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter	Current quarter	Previous quarter	Previous quarter
	\$US'000	\$A'000	\$US'000	\$A'000
5.1 Cash on hand and at bank	856	1,004	1,847	2,017
5.2 Deposits at call	-	-	-	-
5.3 Bank overdraft	-	-	-	-
5.4 Other short-term deposits	19,835	23,272	20,529	22,414
Total cash at end of quarter (item 1.22)	20,691	24,277	22,376	24,431

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of qtr	Interest at end of qtr
6.1 Interests in mining tenements relinquished, reduced or lapsed		Refer Table 2 in Quarterly Report		
6.2 Interests in mining tenements acquired or increased		Refer Table 2 in Quarterly Report		



Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Issued during quarter				
7.3 + Ordinary securities	668,112,148	668,112,148		
7.4 Issued during quarter	6,400,000	6,400,000		
+ Convertible debt securities <i>(description and conversion factor)</i>				
7.5				
7.6 Issued during quarter				
7.7 Options <i>(description and conversion factor)</i>	Refer Attachment A		<u>Exercise Price</u>	
Project Financiers	14,000,000	Nil	Refer attached	Nil
Directors' and Executives' Option Incentive Scheme	28,790,000	Nil	Refer attached	Nil
7.8 Issued during quarter	15,450,000	n/a	Refer attached	Nil
7.9 Exercised during quarter	6,400,000	n/a	n/a	n/a
7.10 Expired & lapsed during quarter	48,225,908	n/a	n/a	Nil
7.11 Debentures <i>(totals only)</i>	Nil	Nil		
7.12 Unsecured notes <i>(totals only)</i>	Nil	Nil		



COMPLIANCE STATEMENT

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
(Director/Company Secretary)

Date: 23 July 2010

Print name: C T LENNON

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.



ATTACHMENT A

HIGHLANDS PACIFIC LIMITED APPENDIX 5B – ITEM 7.7

OPTIONS (DESCRIPTION AND CONVERSION FACTOR)

Outstanding at the end of the quarter	Issued	Exercised
Exercise Price	A\$0.435	
Number of Options	1,000,000	Nil
Expiry Date	31 July 2010	
Exercise Price	A\$0.175	
Number of Options	2,500,000	300,000
Expiry Date	19 July 2010	
Exercise Price	A\$0.175	
Number of Options	200,000	100,000
Expiry Date	31 July 2011	
Exercise Price	A\$0.20	
Number of Options	14,000,000	Nil
Expiry Date	21 Aug 2010	
Exercise Price	A\$0.175	
Number of Options	3,800,000	1,200,000
Expiry Date	12 Dec 2010	
Exercise Price	A\$0.135	
Number of Options	3,390,000	350,000
Expiry Date	28 Feb 2013	
Exercise Price	A\$0.13	
Number of Options	2,000,000	1,000,000
Expiry Date	4 June 2011	
Exercise Price	A\$0.078	
Number of Options	1,360,000	635,000
Expiry Date	29 Jan 2014	
Exercise Price	A\$0.078	
Number of Options	2,000,000	325,000
Expiry Date	29 Jan 2014	



Outstanding at the end of the quarter	Issued	Exercised
Exercise Price	A\$0.117	
Number of Options	1,000,000	Nil
Expiry Date	26 Jun 2012	
Exercise Price	A\$0.266	
Number of Options	10,000,000	Nil
Expiry Date	31 Mar 2015	
Exercise Price	A\$0.266	
Number of Options	5,450,000	Nil
Expiry Date	31 Mar 2015	

Options lapsed during the quarter	Issued
Exercise Price	A\$0.50
Number of Options	10,756,477
Expiry Date	4 May 2010
Exercise Price	A\$0.55
Number of Options	10,756,477
Expiry Date	4 May 2010
Exercise Price	A\$0.60
Number of Options	10,756,477
Expiry Date	4 May 2010
Exercise Price	A\$0.65
Number of Options	10,756,477
Expiry Date	4 May 2010
Exercise Price	A\$0.155
Number of Options	200,000
Expiry Date	21 May 2010
Exercise Price	A\$0.155
Number of Options	5,000,000
Expiry Date	21 May 2010



Options issued during the quarter		Issued
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Exercise Price		A\$0.266
Number of Options		10,000,000
Expiry Date		31 Mar 2015

Exercise Price		A\$0.266
Number of Options		5,450,000
Expiry Date		31 Mar 2015

Options exercised during the quarter		
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Exercise Price		A\$0.1546
Number of Options		3,500,000
Expiry Date		21 May 2010

Exercise Price		A\$0.1546
Number of Options		1,300,000
Expiry Date		21 May 2010

Exercise Price		A\$0.175
Number of Options		300,000
Expiry Date		19 July 2010

Exercise Price		A\$0.13
Number of Options		1,000,000
Expiry Date		4 June 2011

Exercise Price		A\$0.078
Number of Options		300,000
Expiry Date		29 Jan 2014