



QUARTERLY REPORT

MARCH 2009



Position and welding of Slurry Pipeline – 75km of 135km completed
Ramu Nickel-Cobalt Mine

KEY POINTS

RAMU NICKEL PROJECT

- Project fully funded and construction on plan for completion by end of 2009 and on budget for a total cost of US\$1.4 billion.
- The manufacturing of the second and third autoclaves have been completed and preparation for shipment is underway.
- Work continued on 135km slurry pipeline – 75km welded and installed.
- Major tasks completed to date include 50,000 tonne wharf, bridge over the Ramu River, delivery and installation of first autoclave and an access road to mine site.
- Major earth works and foundations at refinery and mine site completed and many prefabricated structures are being erected simultaneously at both the mine site and the Basamuk refinery.
- Madang office and accommodation complex completed, waiting final fit out.
- Ramu River Fish and Environment Survey completed with excellent results.
- Project expenditure to date is approximately US\$800 million.
- Project schedule still indicating mine and plant commissioning to start before the end of 2009

FRIEDA COPPER / GOLD PROJECT

- Project in pre-feasibility stage.
- Appointment by Xstrata (as the manager of the project) of Bechtel to provide technical services in relation to overall project evaluation.
- 12,066m drilled year to date – latest drilling results released on 16 April 2009.
- Expenditure of US\$8.0 million year to date against a budget of US\$9.4 million.
- Annual project sustainability report completed and released in early April.
- Execution model from the 2008 Extended Scoping Study has a configuration of 40Mtpa being mined over 27 years producing copper concentrate 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%
- Project delivering 4.29Mt copper metal (160,000tpa) and 6.41Moz (240,000 oz pa),
- Highlands' share of costs until completion of a Feasibility Study to be fully funded by Xstrata.

KAINANTU

- Transfer of EL 1277 was completed in early April and the US\$3 million was received from Barrick Gold Corporation.

EXPLORATION

- Final hole completed for the current Yangalemu drilling program.

CORPORATE

- Cash reserves at the end of the quarter of US\$19.2 million (or AU\$27.9 million) – funds held in both AUD and USD holdings. This amount excludes the US\$3 million (or AU\$4.4 million) that was received in early April.
 - Management continues to review projects and corporations with a focus on gold and base metals in a time of potentially low acquisition prices, whilst acknowledging that cash will be a valuable asset for the near future.
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RAMU PROJECT

(HIGHLANDS PACIFIC: 8.56%)

MCC Ramu NiCo Limited (owner of 85% of the Ramu Nickel Cobalt project) and 100% owned subsidiary of China Metallurgical Construction Corporation (MCC) is the project manager for the project. The project remains on track for the targeted completion of construction by the end of 2009 and on budget with a total cost of US\$1.4 billion.

Expenditure to date is US\$800 million and the project is fully funded.

Highlights for the quarter included the following:

- The manufacturing of the second and third autoclaves have been completed and preparation for shipment to PNG is underway. They are expected to arrive on site late April.
- Major earth works and foundations at refinery and mine site completed.
- At both the mine site and the Basamuk process plant multiple construction tasks are being completed in parallel. Much of the fabrication has been completed overseas (principally China) requiring only the parts to be assembled on site. The completion of the 50,000t wharf is advantageous to ensuring the construction timetable is met.
- Water supply for the mine site has been installed (3,800 metre pipeline).
- Work continued on 135km slurry pipeline – 75km welded and installed. All major river crossing completed.
- Madang offices and accommodation complex completed, waiting final fit out. Most of the MCC management team will relocate to Madang once the complex is fully operational.
- All major equipment procurement contracts have been awarded.
- A detailed commissioning plan has been developed and 144 managerial, technical and operational employees have been recruited.
- Production operational procedures and safety procedures have been developed.
- A successful joint venture meeting of all stake holders was held in Beijing in March 2009.
- The Ramu River Fish and Environment Survey was completed during the quarter by Australian based Hydrobiology and the results detailed no impact on fish species richness and fish tissue metal concentrations.

Some 2,800 direct employees for the project are engaged on site, 1,402 being Chinese and the remaining 1,417 Papua New Guinean's. The "Three Year Training and Localisation Plan" has been recently approved by the PNG Government.

Highlands has an 8.56% interest in the Ramu project which will increase to 11.30% at no cost to the Company after repayment of the debt raised to finance the project has been completed. From commissioning, HPL is able to have access to its pro-rata 8.56% share of Ramu's post-debt servicing net cash flow. When the finance is repaid, HPL will also have the option to purchase an additional 9.25% in Ramu at fair market value which, if exercised, would take HPL's 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. HPL's share of product based on its 8.56% share is 2,666 tonnes of nickel and 282 tonnes of cobalt per annum, rising to 3,520 tonnes of nickel and 373 tonnes of cobalt when equity increases to 11.30%.

MCC (Fortune 500 Company) 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. The company is a leading investor, licensed by the Chinese Government, in natural resources exploration. MCC has to date invested as much as US\$1 billion in mining resources abroad, including the production facilities and interests in mineral deposits. MCC is one of the largest equipment manufacturers in China and has total assets of approximately US\$20 billion. In 2007, the company had revenue of US\$18 billion and total profit for the group of US\$1 billion. 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 recently 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.

FRIEDA RIVER PROJECT

(HIGHLANDS PACIFIC: 16.9%)

HPL is exploring the Frieda porphyry copper/gold deposit in joint venture with Xstrata Frieda River Limited (Xstrata) and OMRD Frieda Co. Limited (OMRD). 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 and work completed year to date includes the following:

- Appointment by Xstrata (as the manager of the project) of Bechtel to provide technical services in relation to the overall project evaluation;
- 12,066m drilled year to date – latest drilling results released on 16 April 2009;
- Expenditure of US\$8.0 million year to date against a budget of US\$9.4 million;
- Annual project sustainability report completed and released;
- Review of capital and operating costs commenced – estimates prepared as part of the Extended Scoping Study were completed at the peak of the cycle; and
- 276 personnel employed on site.

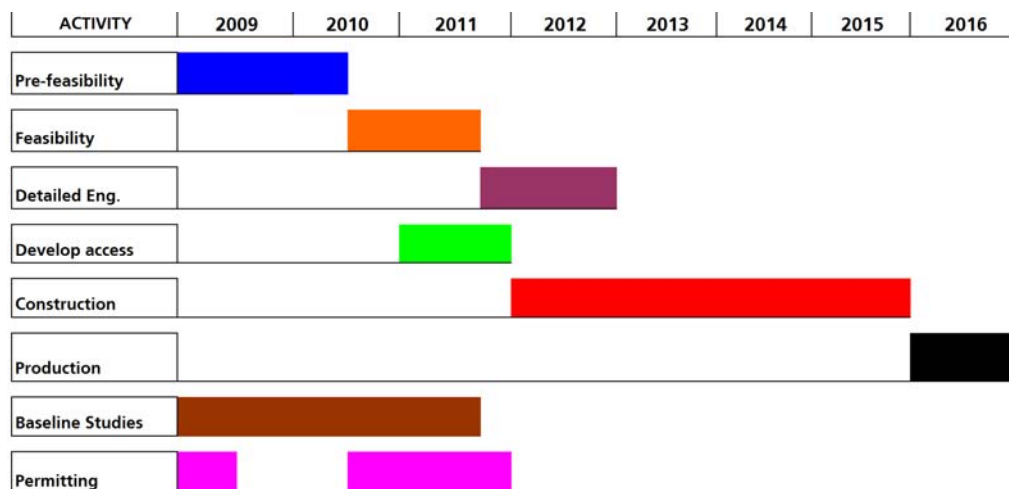
The Extended Scoping Study was completed in December 2008 defined an execution model with the following configuration:

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

- 35-37,000m of drilling – consisting of infill drilling, metallurgical samples, waste rock characterisation, geotechnical data for pit wall design and 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;
- Re-estimation of capital cost estimation for the Extended Scoping Study; and
- Community affairs work aimed at resolving outstanding land ownership claims.

The work program prepared by Xstrata for the Frieda River project which, provided a number of challenges are met, will have the following timeline:



The project covers Exploration Licences 58 and 1212 and the Nena Deposit which is subject to Xstrata making an option payment of US\$10.8million to Highlands. The project is a Joint Venture between Xstrata 76.2%, HPL 16.9% and OMRD 6.9%. To retain its interest in the project, Xstrata must complete a Feasibility Study by January 2012.

EXPLORATION

A final drill hole was completed in January at the Yangalemu prospect near Wau Bulolo. Results for the last two holes of 2008 and the 2009 hole are presented below.

2008 Drill Collars						
Hole	North	East	Level	Depth	Azimuth	Dip
013YD08	9194918	465540	1185	200.6	186	50
014YD08	9194740	465691	1191	50.7	180	60
015YD09	9194713	465782	1182	171.7	140	55

Intercepts assaying greater than 0.5 g/t gold are as follows

Hole	From (m)	To (m)	Down Hole Interval (m)	Au (g/t)
013YD08	24	25	1	0.75
013YD08	31	33	2	0.64
013YD08	71.5	73	1.5	0.95
013YD08	77	79	2	3.36
013YD08	89	90	1	0.75
013YD08	99	100	1	0.75
013YD08	124	125	1	1.3
013YD08	126	127	1	11
014YD08	36	37	1	0.97
015YD09	23	24	1	3.45
015YD09	44	45	1	4.32
015YD09	96	98	2	0.57
015YD09	118	120	2	0.58
015YD09	160	164	4	0.6

Notes:

The following statements apply to the Yangalemu results:

- Mineralised intersections are quoted as down hole widths. The mineralisation occurs as vein stockworks.
- Collar locations are in UTM Zone 55 co-ordinates using the AGD66 horizontal datum.
- Drill core is HQ or NQ size.
- Assays were carried out on half sawn core. The half core is crushed and pulverized to ~ 180 mesh. 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 Intertek in Jakarta. Gold is by 50g fire assay and copper by ICP-AES on an a three acid digest.
- 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

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Forward Looking Statements

This announcement includes certain 'Forward Looking Statements'. All statements, other than statements of historical fact included herein, including without limitation, statements regarding potential mineralization, resources and reserves, exploration results and future plans and objectives of Highlands Pacific Group Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

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) ELs 1277 (transferred in April 2009) and 1340	100% Note 1	100% Note 1
Frieda River Project (Highlands Frieda Limited) ELs 0058 and 1212 ELs 1312 and 1392 ELAs 1654, 1655, 1656, 1657, 1658 and 1659	16.9% Note 1, 2 28% Note 1, 3 16.9% Note 1	16.9% Note 1, 2 28% Note 1, 3 16.9% Note 1
Ramu Project (Ramu Nickel Limited) SML 8 ML 149 LMPs 42, 43, 44, 45, 46, 47, 48 and 49 MEs 75, 76, 77, 78 and 79 ELs 193 and 1178	8.56% 8.56% 8.56% 8.56% 8.56%	8.56% 8.56% 8.56% 8.56% 8.56%

NOTES

1. 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.
2. Highlands Pacific retains an 89.22% interest in the Nena Deposit (part of EL 0058), which is subject to an Option Agreement with Xstrata.
3. Highlands Pacific holds 28% of the Nong River EL's – EL1312 and EL 1392.
4. 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")

31 MARCH 2009

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 0.6873.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter	Current quarter	Year to date	Year to date
	\$US'000	\$A'000	(3 months) \$US'000	(3 months) \$A'000
Cash flows related to operating activities				
1.1 Receipts from product sales and related debtors	14	20	14	20
1.2 Payments for:			-	-
(a) exploration and evaluation	(285)	(415)	(285)	(415)
(b) development	-	-	-	-
(c) production	-	-	-	-
(d) administration	(754)	(1,097)	(754)	(1,097)
1.3 Dividends received	-	-	-	-
1.4 Interest and other items of a similar nature received	68	99	68	99
1.5 Interest and other costs of finance paid	-	-	-	-
1.6 Income taxes paid	-	-	-	-
1.7 Other	-	-	-	-
Net Operating Cash Flows	(957)	(1,392)	(957)	(1,392)
Cash flows related to investing activities				
1.8 Payment for purchases of:			-	-
(a) prospects	-	-	-	-
(b) equity investments	-	-	-	-
(c) other fixed assets	-	-	-	-
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	-	-	-	-
1.13 Total operating and investing cash flows (carried forward)	(957)	(1,392)	(957)	(1,392)

Cash flows related to financing activities					
1.14	Proceeds from issues of shares, options, etc	-	-	-	-
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	-	-	-	-
	Net increase (decrease) in cash held	(957)	(1,392)	(957)	(1,392)
1.20	Cash at beginning of quarter/year to date	20,266	29,252	20,266	29,252
1.21	Exchange rate adjustments to item 1.20 - unrealised	(110)	74	(110)	74
1.22	Cash at end of quarter	19,199	27,934	19,199	27,934

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	65	95
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	<div style="border: 1px solid black; padding: 5px; margin: 5px 0;">Refer Quarterly Report</div>	

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	<div style="border: 1px solid black; padding: 5px; margin: 5px 0;">None</div>
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	<div style="border: 1px solid black; padding: 5px; margin: 5px 0;">None</div>

Financing facilities available

	Amount available		Amount used	
	\$US'000	\$A'000	\$US'000	\$A'000
3.1 Loan facilities:				
Bridging Facility	nil	nil	nil	nil
Project Finance	nil	nil	nil	nil
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	50	72
Frieda River (to be funded by joint venturer)	-	-
Other	-	-
Total Exploration and evaluation	50	72
4.2 Development		
Ramu (to be funded by joint venture)	-	-
Other	-	-
Total Development	-	-
Total	50	72

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 \$US'000	Current quarter \$A'000	Previous quarter \$US'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	871	1,267	278	401
5.2 Deposits at call	-	-	5,214	7,526
5.3 Bank overdraft	-	-	-	-
5.4 Other short-term deposits	18,328	26,667	14,774	21,325
Total cash at end of quarter (item 1.22)	19,199	27,934	20,266	29,252

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	652,402,148	652,402,148		
7.4 Issued during quarter				
+ Convertible debt securities <i>(description and conversation factor)</i>				
7.5				
7.6 Issued during quarter				
7.7 Options <i>(description and conversation factor)</i>	Refer Attachment A		Exercise Price	
Project Financiers	32,144,483	Nil	AUD 0.54	Nil
Directors' and Executives' Option Incentive Scheme	24,380,000	Nil	Refer attached	Nil
Other Investors	43,025,908	Nil	Refer attached	Nil
7.8 Issued during quarter	1,390,000	Nil	Refer attached	Nil
7.9 Exercised during quarter	Nil	n/a	n/a	n/a
7.10 Expired & lapsed during quarter	Nil	Nil	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: **XX** April 2009

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\$0.54	A\$0.54
Number of Options	11,144,483	Nil
Expiry Date	31 December 2009	31 December 2009
Exercise Price	A\$0.435	A\$0.435
Number of Options	100,000	Nil
Expiry Date	Various dates	Various dates
Exercise Price	A\$0.423	A\$0.423
Number of Options	1,000,000	Nil
Expiry Date	31 July 2010	31 July 2010
Exercise Price	A\$0.50	A\$0.50
Number of Options	10,756,477	Nil
Expiry Date	4 May 2010	4 May 2010
Exercise Price	A\$0.55	A\$0.55
Number of Options	10,756,477	Nil
Expiry Date	4 May 2010	4 May 2010
Exercise Price	A\$0.60	A\$0.60
Number of Options	10,756,477	Nil
Expiry Date	4 May 2010	4 May 2010
Exercise Price	A\$0.65	A\$0.65
Number of Options	10,756,477	Nil
Expiry Date	4 May 2010	4 May 2010
Exercise Price	A\$0.175	A\$0.175
Number of Options	2,500,000	Nil
Expiry Date	19 July 2010	19 July 2010
Exercise Price	A\$0.175	A\$0.175
Number of Options	200,000	Nil
Expiry Date	31 July 2011	31 July 2011
Exercise Price	A\$0.155	A\$0.155
Number of Options	10,000,000	Nil
Expiry Date	21 May 2010	21 May 2010

Outstanding at the end of the quarter	Issued	Exercised
Exercise Price	A\$0.20	A\$0.20
Number of Options	21,000,000	Nil
Expiry Date	21 Aug 2010	21 Aug 2010
Exercise Price	A\$0.175	A\$0.175
Number of Options	3,800,000	Nil
Expiry Date	12 Dec 2010	12 Dec 2010
Exercise Price	A\$0.30	A\$0.30
Number of Options	3,390,000	Nil
Expiry Date	28 Feb 2013	28 Feb 2013
Exercise Price	A\$0.13	A\$0.13
Number of Options	2,000,000	Nil
Expiry Date	19 July 2011	19 July 2011
Exercise Price	A\$0.0.78	A\$0.078
Number of Options	1,390,000	Nil
Expiry Date	29 Jan 2014	29 Jan 2014

No options expired or lapsed during the quarter

Options issued during the quarter.

	Issued
Exercise Price	A\$0.0.78
Number of Options	1,390,000
Expiry Date	29 Jan 2014

No options were exercised during the quarter.