



18 January, 2011

## Star Mountain Exploration Project, PNG

**Second hole shows further highly encouraging large near surface copper porphyry intersection  
474 metre @ 0.42% copper and 0.24 g/t gold encountered from 26 metres below surface  
Olgal prospect less than 30 km north of giant Ok Tedi mine**

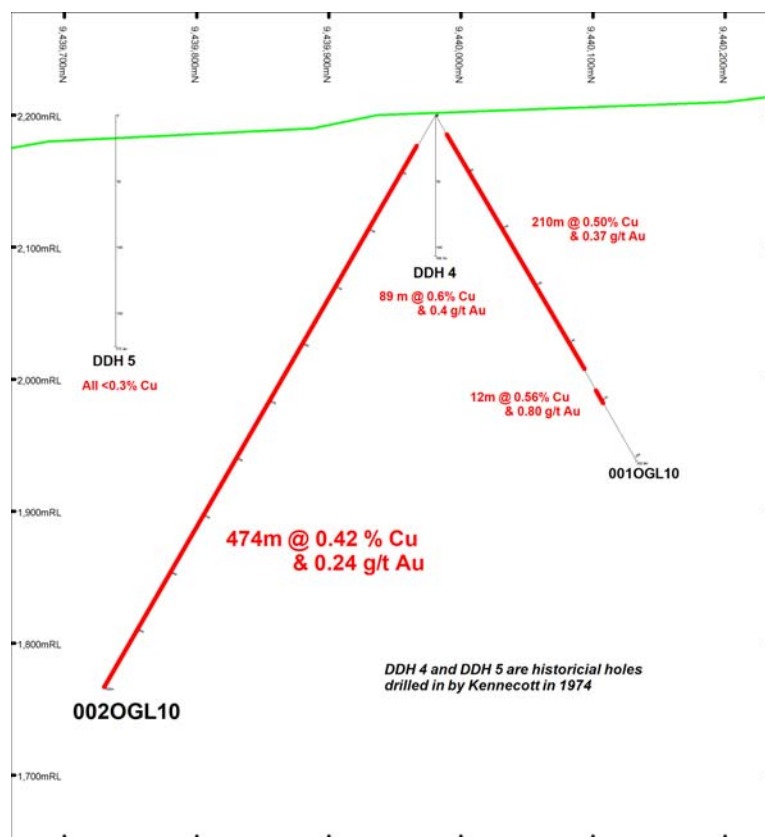
Highlands Pacific Limited (ASX:HIG) has received the second set of highly encouraging assays from its Star Mountain exploration programme targeting copper gold porphyry mineralisation some 28 kilometres northeast of the Ok Tedi mine in the Western Province of Papua New Guinea.

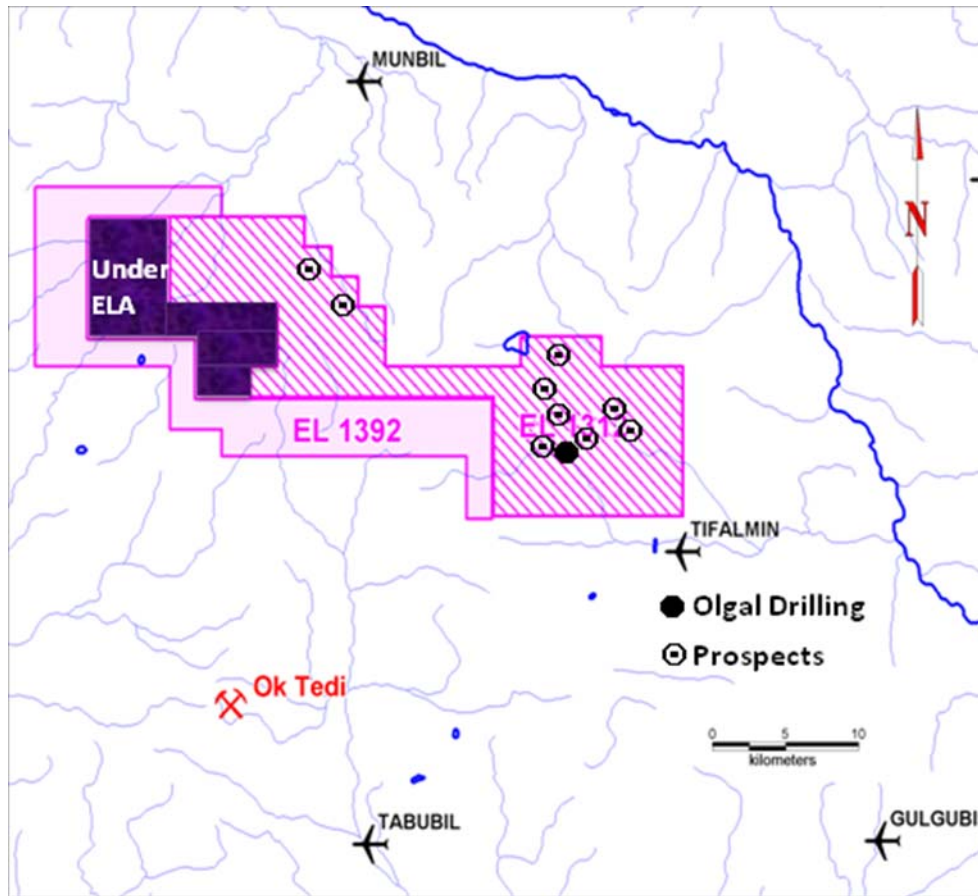
Assay results from the second hole (002OGL10) that went to a depth of 500 metres intersected 474 metres of copper/gold mineralisation starting at 26 metres from surface at the Olgal prospect (EL 1312 Nong River). The hole was still in mineralisation when terminated.

The programme is currently up to the sixth hole with holes three to five intersecting sediments outside of the mineralisation. These holes were testing the extent of the intrusive.

This second hole (002OGL10) also included intersections of 38 metres @ 1.0% copper and 0.36 g/t gold from 26 metres and 52 metres @ 0.58% copper and 0.34 g/t gold from 330 metres. Drilled from the same location as the first hole but on a 180 degree rotation, with the first hole (001OGL10) previously reported returning 210 metres @ 0.50% copper and 0.37 g/t gold including 62 metres @ 0.78% copper and 0.42 g/t gold from 15 metres down hole.

**Managing Director of Highlands Pacific Ltd Mr John Gooding said today:** "This is a fantastic start to the Star Mountain exploration program following up from the first hole and these very important results will make us re-evaluate the 2011 program in this exciting province. The Olgal prospect is just one of a number of identified targets and with the recently completed Laser topographic survey (LIDAR) further prospects may also be identified and added to the target list."





The Nong River licence (EL 1312) is in a joint venture with Xstrata Frieda River Limited (subsidiary of Xstrata Plc.) (“XFRL”) while the Tifalmin licence (EL 1392) is 100% owned by Highlands Pacific. Under the terms of the Nong River Joint Venture Agreement, Xstrata have the ability to earn a 72% interest in the joint venture by producing a bankable feasibility study by the year 2019. The exercising of the sole funding option by Highlands during the 2009 year meant that Highlands now retains 100% of the joint venture. XFRL has the right to reclaim its 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 the Group must produce a pre feasibility study to XFRL.

**For further information, contact:**  
 John Gooding or Craig Lennon  
 Highlands Pacific - 07 3239 7800

**Media Enquiries to:**  
 Simon Jemison  
 Collins St Media - 03 9224 5319



Hole	North	East	Level	Azimuth	Dip	Total Depth (m)
002OGL10	539630	9439980	2285	180	-60	500.6

Notes:

The following statements apply to the Star Mountain exploration results:

- Mineralised intersections are quoted as down hole widths. The porphyry mineralisation occurs as disseminations and vein stockworks. Quoted intercepts may include up to 6m of internal waste.
- Collar locations are in UTM Zone 54 co-ordinates using the AMG66 horizontal datum.
- Drill core is PQ, HQ or NQ size.
- Assays were carried out on half sawn core. 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 GPS survey of drill pads. Actual collars are within 10m of stated locations.
- Competent Persons Statement: 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.

Hole	From	To	Downhole Interval (m)	Cu (%)	Au (ppm)	Core Recovery %
002OGL10	26	500	474	0.42	0.24	72
<i>Including the following intervals at a 0.5% Cu lower cut-off</i>						
	26	64	38	1.0	0.36	75
	330	382	52	0.58	0.34	46



**ASX Code: HIG**  
**PoMSox Code: HIG**  
**Shares on Issue: 686 million**  
**Options on Issue: 23 million**

**Market Capitalisation A\$260m**  
**Cash on Hand (31/12/10) A\$20m**

#### **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*

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#### **Website:**

[www.highlandspacific.com](http://www.highlandspacific.com)

## **About Highlands Pacific Limited**

Highlands Pacific is listed on the ASX and PoMSox exchanges. Its major development assets include the US\$1.4bn Ramu nickel cobalt project, the Frieda River copper gold project and exploration on the highly prospective Star Mountain (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 and has cash reserves of A\$20 million with no debt.

### **Frieda Copper/Gold Project**

The Frieda copper gold project is one of the Asia-Pacific's largest undeveloped copper/ gold resources. The Frieda project is 175 kms NW of the giant Porgera gold mine and 75 km NE of the Ok Tedi mine. The project owners are Xstrata (81.82% and manager) and Highlands (18.18%). Highlands has a free-carried interest through to completion of a bankable feasibility study (required by Jan 2012). Xstrata have approved a US\$122m budget for the BFS stage. Xstrata's spend for Frieda in 2009 was US\$38m and in 2010 will be US\$77.5m. 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 for a multi-decade life mine.

### **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 commissioning, 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%. Progressive commissioning commenced late in the December quarter 2009 and is expected to continue through 2010. Production at this stage is expected to commence in the 2011 March quarter with a staged ramp up through the year. The project is currently subject to a court case to be held in early 2011 in regards to the Deep Sea Tailings Disposal system.

### **Star Mountain Prospects**

Star Mountain 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.