



Frieda River Copper and Gold Project

The **Frieda River Project**, located in the Sandaun Province of Western Papua New Guinea, is one of the world's largest undeveloped copper and gold deposits. Current resources include :

- **Nena deposit** - copper resource (72mt @ 2.0% Cu, 0.5 g/t Au), and
- gold resource (18mt @ 1.4 g/t Au, 0.1% Cu);
- **Horse Ivaal / Trukai deposit** (1,005 mt @ 0.5% Cu, 0.3 g/t Au); and
- **Koki deposit** (274 mt @ 0.4% Cu, 0.3 g/t Au) ;

containing a total of 7.5 million tonnes of copper and 14.3 million ozs of gold.

The 1996 Highlands' pre-feasibility study of the Frieda River Project estimated that a development could produce 220,000 tonnes of copper and 330,000 ounces of gold annually, with an estimated mine life in excess of 23 years.

In January 2002 the Company reached an agreement with Noranda Pacific Pty Ltd (now Xstrata Frieda River Ltd – "XFRL", following the merger between Noranda Inc and Falconbridge Ltd in June 2005 and the subsequent acquisition of Falconbridge by Xstrata in August 2006).

Under this agreement, XFRL obtained an option to acquire an interest in the Frieda River property and an option to acquire an interest in the Nena deposit area by funding an initial period of exploration and in the case of Nena paying the Company USD 10.8 million. XFRL exercised its Frieda River option on 22 Jan 2007. After exercise of that option, interests in the Frieda River project are now Highlands 16.4%, XFRL 73.7% and OMRD 9.9%. To maintain its interest in Frieda River project, XFRL must:

- by 20 January 2012, to have completed a feasibility study to a standard reasonably required by major financial institutions in connection with consideration of project financing;
- pay Highlands' share of project expenditure until the completion of the feasibility study unless XFRL withdraws from the joint venture; and
- should the project be developed, include Highlands in any debt financing it arranges or alternatively provide Highlands with a completion guarantee for any debt funding that Highlands arranges.



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Should XFRL fail to complete the feasibility study or withdraw from the joint venture then all of XFRL's interests in the Frieda River project will be transferred back to Highlands at no cost.

While XFRL has exercised its Frieda River option, at this time XFRL has not exercised its option over the Nena Deposit which is located within the Frieda River project tenement (EL 58). To exercise the Nena Deposit option XFRL must make a payment of USD 10.8 million to Highlands and then satisfy the same terms and conditions outlined above. The Nena Deposit Option remains in place by virtue of XFRL having exercised the Frieda River Option.

Currently the focus is directed towards identifying the appropriate project execution model to enable the project to be advanced into pre-feasibility. Metallurgical and infrastructure aspects of the project are certain to have significant impacts on the outcome of the current study. The metallurgical test work on the Nena ores, which commenced in late 2005, will continue with the objective of producing a saleable product.

In January 2008 XFRL completed a Scoping Study and produced a development timeline (assuming hurdles are met) that will result in production commencing in 2016. The Scoping Study revealed a project estimated to cost USD2.6 billion with a 26 year mine line producing an average 190,000 tonnes of copper metal and 295,000 ounces of gold per year.

The 2008 program is budgeted at USD 25 million and will include 20,000 metres of drilling (16,000m of infill drilling and 4,000m of exploration drilling). The expenditure for 2009 and 2010 will increase further as the project goes through pre-feasibility and feasibility.

Disclaimer

Full details of the Frieda River Resource and Reserve can be found in the current Highlands Pacific Annual Report which can be obtained from the Highlands Pacific website (www.highlandspacific.com).