

Thursday 24 November 2011

Frieda River Copper/Gold Project Update

Highlands Pacific and Xstrata Copper have agreed to extend Feasibility Study completion by 11 months – will evaluate new development options.

Highlands carried to lodgement of Special Mining Lease application.

Highlands Pacific Ltd and Xstrata Copper have agreed to extend the completion of the Frieda River Project Feasibility Study (FS) to evaluate new power supply options.

Xstrata Copper was due to deliver the FS by 23 January 2012 to maintain their 81.82% interest. As a result of a number of potential power options becoming available late in the study timeframe, both parties have agreed to extend the 23 January 2012 delivery date to 21 December 2012.

As part of the extension, Highlands will be carried through from 23 January 2012 to the lodgement of the Special Mining Lease (SML) application with Highlands' share of expenditure repaid when the Project is in production.

At the end of the study and subject to the Joint Venture partners agreeing, the project could proceed to the lodgement of an SML and Environment Impact Statement (EIS).

Highlands Pacific MD Mr John Gooding said, *"There are some exciting energy projects happening in PNG at present, either in development or near development, and Highlands and Xstrata Copper believe these must be more rigorously considered to optimise the development of this resource."*

Highlands will continue to be 'free carried' by Xstrata Copper through to the original FS date of 23 January 2012 before being carried through to the lodgement of the SML by a carried funding loan arrangement. Xstrata Copper will be taken to have earned a 72% interest in the project on 23 January 2012, with the remaining 9.82% contingent on completion of the FS.

Adjacent to the main Horse-Ivaal-Trukai ore body, which is the focus of the FS, the high grade copper Nena deposit also provides further optionality for the project. At present the Nena deposit is outside of the joint venture with Xstrata Copper, however Xstrata Copper can bring this into the joint venture by exercising an option and paying Highlands US\$10.8 million by 23 January 2012.

Highlands Pacific MD Mr John Gooding said, *"This is a good result for the project and for Highlands. Xstrata Copper has undertaken a huge task over the last four years and this extra time and focus should allow the project to explore all options to maximise the returns for the stakeholders."*



“Highlands and Xstrata Copper remain committed to this world class resource, and we will do all we can do to enhance the project.”


“On our other projects the exciting exploration and resource drilling program in the Star Mountains near Ok Tedi is on-going, and we await the ore commissioning and Supreme Court judgement for the Ramu nickel project.”

For further information, please contact:

*John Gooding or Craig Lennon
Highlands Pacific - 07 3239 7800*

Media Enquiries to:

*Simon Jemison
Collins Street Media - 03 9224 5319*



ASX Code: HIG
PoMSox Code: HIG
Shares on Issue: 686 million
Options on Issue: 23 million
Performance Rights: 3.6 million

Market Capitalisation ~ **A\$150m**
Cash on Hand (30/06/11) **A\$15m**

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

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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 and has cash reserves of A\$17 million with no debt.

Frieda River 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 north-west of the giant Porgera gold mine and 75 km north-east of the Ok Tedi mine. The project owners are Xstrata Copper (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 recently with the program extending through 2011.

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%.

* 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.