



1 November 2013

## Frieda River Copper Gold Project – New Partner, New Vision

Highlands Pacific Limited today announces a new joint venture partnership for the Frieda River Copper Gold Project in Papua New Guinea which will see Glencore Xstrata plc (Glencore) exit the project and PanAust Limited (ASX:PNA) emerge as an 80% partner with a new vision to develop Frieda. PanAust will take up to a A\$10 million placement in Highlands and will also relinquish any claw back rights regarding Exploration Licence EL 1312 in the Star Mountains.

Details of the Frieda transaction and a Share Placement Agreement between PanAust and Highlands Pacific are outlined below and in PanAust's ASX announcement released today.

### Frieda River Joint Venture

PanAust has entered into a share sale agreement with Glencore under which PanAust will acquire Glencore's interest in the Frieda River joint venture by acquiring all of the shares held by Glencore in Xstrata Frieda River Limited (XFRL).

PanAust and Highlands Frieda Limited (**Highlands Frieda**) have agreed that the two parties will hold interests of 80% and 20% respectively in the Frieda River joint venture on completion of PanAust's acquisition of the shares in XFRL and that any previous disagreement between XFRL and Highlands Frieda relating to earn-in percentages in the Frieda River joint venture will be settled upon completion. The terms of Highlands' agreement with PanAust provide that should the Government of PNG elect to take up its right under PNG Law to 30% of the project, PanAust (XFRL) will sell down the first 20% of its joint venture interest and thereafter the parties will sell down in equal amounts. Under a scenario where the Government of PNG elects to take up its maximum 30% of the project, the respective joint venture interests would be PanAust 55%, the Government of PNG 30%, Highlands Frieda 15%.

PanAust is responsible for 100% of the costs incurred by the Frieda River joint venture to finalise a definitive feasibility study for PanAust's development concept and will appoint and fund the cost of an independent expert to provide peer review. PanAust will also be responsible for 100% of the costs to maintain the Frieda River project site, assets and community relations programmes up to the point in time of lodgement of the Mining Lease or Special Mining Lease application.

As part of PanAust's due diligence work, it completed a scoping study based on a smaller circa 24 million tonne per annum conventional open pit and flotation operation producing a copper-gold concentrate for export to custom smelters.

This scale of development is significantly more manageable in the current market environment than the previous design given PanAust's estimate of development capital in the range of US\$1.5 billion to US\$1.8 billion (100% basis, 2013 dollars). This would equate to a competitive capital intensity of less than US\$13,000/t of annual copper equivalent production.

Highlands is informed that the sale of XFRL to PanAust is subject to a condition precedent as outlined in PanAust's ASX announcement released today. The sunset date for satisfaction of the condition precedent is 30 September 2014. However, PanAust and Glencore may agree to extend this date.



### **Two tranche placement raising up to A\$10 million**

PanAust has agreed to subscribe to an initial placement of A\$5 million in Highlands Pacific at 7.76 cents a share, being a 30% premium to the volume weighted average share price of Highlands Pacific shares traded over the last month. The placement is unconditional and will see PanAust hold a 7.5% interest in Highlands Pacific following the placement and will lift Highlands's cash at bank to approximately A\$11 million.

In addition to the first placement, once the PanAust Glencore Agreement is complete, for a period of 90 days PanAust will have the right to subscribe to a second tranche of A\$5 million at the same price of 7.76 cents a share. Highlands Pacific will also have the option of requiring PanAust to subscribe to this second tranche for the same 90 day period.

Highlands will seek a waiver from ASX Listing Rule 6.18 to grant PanAust a right to participate on a pro-rata basis in any future capital raisings (other than under a dividend reinvestment plan, employee share scheme, share purchase plan or a pro-rata offer in which PanAust is eligible to participate). The right to participate in future capital raisings will allow PanAust to maintain its percentage holding in Highlands and this right to participate cannot be transferred. The right to participate in future capital raisings is conditional on PanAust's shareholding in Highlands being 10% or more. Any shares issued to PanAust under this participation right will be on equivalent or no more favourable terms than offered to third parties. Obtaining the waiver is not a condition precedent to either the initial first or second placement.

### **Highlands retains 100% of Star Mountain exploration leases**

PanAust has also agreed, subject to completion of the PanAust Glencore Agreement, to relinquish any potential claw back rights regarding Exploration Lease EL 1312 in the Star Mountains. This will result in Highlands holding 100% of four exploration leases 20km-40km north of the Ok Tedi mine on an unencumbered basis and opens the opportunity for Highlands to consider farm-out/joint venture options with third parties.

**Highlands Pacific Managing Director John Gooding today welcomed the new partnership:** "Frieda can be a great copper project for PNG, but developing it as a mega-project as first envisaged 5-6 years ago by Xstrata would face a number of challenges given the current market environment. PanAust's own reviews and studies on a project at approximately half the plant scale, but approximately a third of the costs proposed by Glencore, accords with our own long held views. We are very pleased to have PanAust as a substantial and supportive investor in Highlands and the placement means that Highlands' funding position is robust going forward. We know the PanAust team well and have great respect for their skills in South East Asia and believe they can make a positive contribution to the Frieda River Project and to PNG."

"With Highlands now holding 100% of its Star Mountains exploration licences we can also look to develop new work programmes and collaborate with potential joint venture partners on these important exploration assets."

### **For further information, please contact:**

John Gooding or Craig Lennon  
Highlands Pacific - 07 3239 7800

### **Media Enquiries to:**

Simon Jemison  
Collins St Media - 03 9224 5319



**ASX Code: HIG**

**PoMSox Code: HIG**

**Shares on Issue: 789 million\***

**Options on Issue: 9.6 million**

**Performance Rights: 14.5 million**

\*Prior to placement

**Directors**

Ken MacDonald, Chairman  
John Gooding, Managing Director  
Mike Carroll  
Dan Wood  
Bart Philemon

**Management**

Craig Lennon, CFO & Co. Sec  
Larry Queen, Chief Geologist  
Peter Jolly, GM Projects  
Ron Gawi, GM Port Moresby

**For further information, please contact:**

John Gooding or Craig Lennon  
Highlands Pacific - 07 3239 7800

**Media Enquiries to:**

Simon Jemison  
Collins St Media - 03 9224 5319

**Website:**

[www.highlandspacific.com](http://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 assets are the US\$1.5bn Ramu nickel cobalt project and the Frieda copper gold project; with exploration in progress on the Star Mountains (Nong River, Mt Scorpion, Munbil and Tifalmin) licenses approximately 20km north of the Ok Tedi mine. Highlands also has exploration tenements at Muller Range on the border of the Western and Southern Highlands Provinces and on Normanby Island (Sewa Bay).

**Star Mountains Prospects\***

The Star Mountains exploration tenements, which include Nong River EL1312, Mt Scorpion EL1781, Munbil EL2001 and Tifalmin EL1392, are located approximately 20km north of the Ok Tedi mine, in the West Sepik Province, PNG. They lie within the highly prospective New Guinean Orogenic Belt, which hosts the Grasberg, Ok Tedi, Porgera and Hidden Valley mines, as well as the Frieda deposit.

**Ramu Nickel Cobalt Mine**

The Ramu nickel mine is located 75km west of the provincial capital of Madang, PNG. Highlands 8.56% interest in Ramu will increase to 11.3% at no cost to Highlands after repayment of its share of the project debt (estimated to be paid by 2018). 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% interest in Ramu at fair market value, which could increase the company's interest in the mine to 20.55%, if the option is exercised.

**Frieda Copper/Gold Project\***

The Frieda copper gold project is located 175kms north-west of the Porgera gold mine and 75km north-east of the Ok Tedi mine.

\* Subject to the right of the Independent State of Papua New Guinea to acquire up to a 30% equity interest in any mining development in the country.