



CHAIRMAN'S ADDRESS

Ladies and Gentlemen

It is a pleasure to be meeting with you again at this 11th Annual General Meeting of shareholders of Highlands Pacific Limited (HPL).

The past ten months have been a time of massive change within HPL and there is no doubt that the changes have been very much for the good. We have a new Managing Director and a revitalised management team and we now have sufficient funds from the sale of Kainantu to underpin a very positive future for HPL.

John Gooding joined the Company in May 2007 when, by any measure, HPL was at low ebb. Production at the Kainantu Gold Mine was still well short of expectations; and the high gold prices far from helping the position, just weighed us down even further – due to the gold hedging program used to finance the construction costs of the Mine.

The initial recovery program implemented by John Gooding involved boosting gold production and generally improving the operation – and this he achieved. But it became apparent that, given the time constraints and the size of the debt, the sale of Kainantu was the only option available to save the Company. John personally orchestrated the sale of the Kainantu Mine and the related tenements to Barrick Gold Corporation for US\$141.5 million. After completing the sale and paying out all of HPL's debts, HPL will be left with approximately US\$30 million in cash reserves.

This was an outstanding outcome by any objective measure. HPL is now in a position to take full advantage of its joint ventures at Ramu and Frieda River - two world-class projects. But perhaps, of equal importance, HPL now has a management team headed by John Gooding, which is well positioned to maximise HPL's new opportunities going forward.

Turning to Ramu, HPL's joint venture partner China Metallurgical Construction (Group) Corporation ("MCC") has now spent in excess of US\$200 million on the nickel-cobalt project, and in recent days formally committed to the development phase of the project. MCC is clearly determined to adopt world best practice at Ramu, with an overall spend now estimated to cost US\$1.37 billion.

First production from Ramu is planned for late 2009 and at anything like the current prices for nickel and cobalt, HPL's carried interest of 8.56% will prove to be a very valuable asset. This becomes apparent when it is realised that HPL's share of that resource is estimated to be 275 million pounds of nickel and 27 million pounds of cobalt.

We should also remember that HPL's equity interest in Ramu can be increased to 11.3%, at no further cost to HPL, once the debt for the financing of the project has been repaid. At that time HPL will also have the option to purchase an additional 9.25% at market value which, if exercised, would take HPL's total interest to 20.55%. Importantly, as well as being the Operator, MCC has the obligation to arrange the project financing for Ramu – meaning that HPL has no financial exposure until commercial production has been achieved.

The Frieda River story is equally exciting. Xstrata Copper is earning 73% in this world scale copper gold project by funding HPL's share to full bankable feasibility study. Xstrata has scheduled to spend US\$25 million this year on Frieda and envisages the completion of the feasibility study in mid 2011. Their target date for production is 2016.

Xstrata's development concept for Frieda River is to produce 190,000 tonnes of copper metal and 295,000 ounces of gold annually – truly a world-class scale project. Given the size of the Frieda River project and the long term demand projections for copper, HPL's 16.4% interest represents another very valuable asset.

HPL's other very exciting exploration prospect is at Wau in PNG where the Company had previously intersected high grade gold in an extensive pattern of surface costeans and during a limited drilling program. This is a hard rock prospect, but close to the old alluvial operations where over 4 million ounces of gold was won prior to World War II. (This is a very good address, with Harmony Gold and their new partner Newcrest Mining Ltd developing the Hidden Valley Gold Mine to the south; and with the Wafi Gold Project immediately to the north of our leases).

This Wau prospect has been something of a "sleeper" in recent years, when the Company focus was on Kainantu. However, given the gold grades encountered and its favourable location, Wau certainly warrants the major drilling program that will be mounted by HPL later this year.

In addition to these three PNG projects, HPL management will be looking for other opportunities in the resource sector with a focus on copper and gold. This search will include opportunities outside of PNG that could provide a broader geographical balance to the portfolio.

I am very confident that world prices for copper - and nickel for that matter - will remain very strong, irrespective of the state of the American economy. The key driver will be the continuing expansion of infrastructure in China. A recent study by respected consultants, McKinsey and Co, forecasts that by 2025 the population of China's cities and towns will have grown by more than 350 million people – more than the total population of the USA. If McKinsey are anywhere near the mark that will translate into a huge and continuing demand for more housing – and of course for copper for plumbing and nickel for stainless steel.

The drivers behind the current surge in gold price are quite different; gold is likely to remain strong in response to a weak US dollar and concerns about rising world inflation. With continued gold exploration success at Wau, HPL could have this third key resource asset also covered.

As noted at the outset, HPL is now well placed in terms of cash reserves. As at the end of April 2008 it has cash on hand of US\$23.9 million and will receive a further US\$7 million from Barrick when two additional exploration tenements at Kainantu are transferred to them. In February 2008, HPL also received the provisional payment for the final shipment of gold concentrate from Kainantu – totalling US\$4.3 million. All up, HPL starts its "post-Kainantu life" with cash reserves of approximately US\$30 million.

With this level of funding, shareholders can feel confident of benefitting to the full extent from the Ramu, Frieda River and Wau projects; and HPL will also be well placed to secure attractive new resource projects.

Since our last Shareholders Meeting, two new Directors have joined the Company - Ken MacDonald and Mike Carroll. Both have extensive experience in the mining sector and I hope that shareholders will re-appoint those directors at this Annual General Meeting.

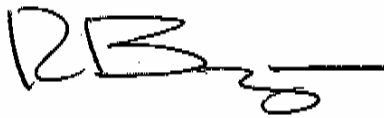
This upcoming Annual General Meeting will be the last for both Andrew Berry and myself as Directors of HPL; we will be stepping down from the Board after 10 and 11 years respectively. While it's sad to be leaving, we feel it is appropriate that both the Board and Management be "refreshed" for this new phase of growth. We both regard it as a privilege to have served as Directors of the Company, and in my case as your Chairman for 10 years.

This begs the question of the Chairmanship of the Company going forward. While it will be for others to decide, I think it is likely that Mr Ken MacDonald will be asked to serve in that role. Given Ken's wide experience in the resources sector, it would be a very good outcome for HPL.

A final word is reserved as always for our shareholders. HPL has been through some tough times of late and we appreciate the loyalty and support provided by our shareholders. Under the stewardship of John Gooding, I feel certain that this support will be matched by a strong Company performance going forward.

Good luck and goodbye to all of you.

Thank you

A handwritten signature in black ink, appearing to read 'RB' followed by a stylized flourish.

ROBERT BRYAN
CHAIRMAN OF DIRECTORS