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CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING, 24 MAY 2001

Ladies and Gentlemen

Year 2000 has seen the achievement of major milestones, both in terms of the Company's world-scale nickel/cobalt project at Ramu, and at our high grade gold project at Kainantu. But from a shareholder's perspective these achievements have been overshadowed by the continued weakness in the Company's share price. Be assured that your Board recognises that shareholder value, as reflected in the marketplace, is one of the main yardsticks against which we will be judged. But more of that a little later.

Very real progress has been made at Ramu, and we now have all government approvals in place, including the deep-sea submarine disposal of tailings, which is of critical importance to the project.

In March of this year the National Government agreed the basis on which it would acquire a 30% interest in Ramu which, as a pro rata of past exploration costs, priced that interest at US\$12.57 million. Under the option agreement between the National Government and Orogen Minerals Limited, Orogen has until 6th July 2001 to elect to acquire from the State most of that interest (25%), with the balance (5%) being retained for the project area landholders. It would be readily appreciated that resolution of this ownership issue is critical to the development of Ramu.

Despite earlier assurances by Orogen that it intended to exercise its Option in respect of Ramu, recent announcements indicate some equivocation on this issue; and that its position will now be heavily influenced by the formation of a consortium to take the project through the development phase. This lack of certainty in regard to Orogen's position on its Option creates confusion in the marketing of the project with the potential to harm or complicate the process. We will be continuing to work closely with Orogen to resolve this issue.

On the other hand, we have been heartened by the progress made by our international resources adviser, Warrior, who were recently commissioned to assist the Ramu Joint Venture to finalise the development consortium. Based on the technical merit of the project, we would expect to achieve a positive outcome.

Turning now to Kainantu, it is pleasing to be able to advise shareholders that the Company has regained full ownership of this exciting high-grade gold project. The Irumafimpa line-of-lode is estimated to contain over 887,000 tonnes of ore grading a handsome 28.3 g/t gold, and only one third of this lode system has been tested to date. Kainantu is certainly a candidate for early development.

I believe that shareholders will agree that Highlands Pacific has great projects in both Ramu and Kainantu, and other exciting prospects in the wings. Why then the lack of support in the market place?

I think the National Government must accept a deal of responsibility in this regard. While changes in the financial arrangements such as fiscal stability are acknowledged as a major step forward, other changes introduced by the Government will not enhance PNG's attractiveness as a place to invest - and in some instances the changes would further erode PNG's position.

Of particular concern is the introduction of a two tiered additional profits tax to all mining developments. This tax is particularly onerous as it serves to increase the tax rate applied to a mining project when certain project returns are achieved. At the 15% return threshold the project will pay an additional profits tax of 20% on top of the normal rate of tax; and should the project return reach 20% the additional profits tax will be 25%.

Most investors require a project return of at least 15% to invest in a developing country and thus the implementation of an additional profits tax at this level will frighten off many potential investors. In addition, a 5% increase in the general taxation rate, as applied to mining developments based on a mining lease, is a serious disincentive for investment in the small mines' sector.

Overall these proposed changes to PNG's mining taxation regime will not enhance the attraction of PNG's mining sector to international investors and developers. This outcome represents a major setback for PNG, in that successful development of the country's mineral wealth is the key to PNG's development as a whole.

Furthermore, it is essential that the Government itself shows a commitment to make things happen, and this image is not enhanced by having eight different Ministers for Mining in just four years. We wish the new Minister, Hon. Peter Ipatas, every success and hope that he will have time enough to make a real contribution in this portfolio - an opportunity not extended to his predecessors.

While Highlands Pacific will continue to work towards the development of its world class project at Ramu, we must not allow the Company's future to be mortgaged against success at Ramu. We must evaluate all other opportunities to create shareholder wealth; and nothing will be off limits in this quest.

In conclusion, I would like to thank my colleagues on the Board for their support and for their contribution; but at the end of the day it is the staff who make it all happen, and the Company has been very well served by Ian Holzberger and his team.

Robert Bryan

Chairman of Directors

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