

CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING, MAY 25, 2000

Ladies and Gentlemen,

It is a pleasure to be addressing you again at what is Highlands Pacific's Third Annual General Meeting.

The past year has seen the achievement of a number of milestones in relation to the development of the Ramu nickel/cobalt project. At the time of printing the Annual Report the Environmental and all subsidiary plans have been approved but final permitting was still awaited. This remains the situation today despite a strenuous effort by management to have finalised all government permitting prior to this meeting. We remain convinced that permitting is close and I am hopeful of being able to advise you that Ramu now has received all the necessary government consents in the near future.

The current world market for nickel and cobalt makes the Ramu project a very attractive world scale development and the early development of Ramu will represent a huge boost to shareholders and the nation alike.

The sheer size of the Ramu project makes its development pivotal to the Company's future and, almost by definition, this also makes it pivotal to the future of the Madang Province. After achieving permitting our target will be to have an additional joint venturer in the consortium and funding in place within nine to twelve months. Construction is likely to take a further 30 months, giving a target for first production early in 2003.

At a national level, the impact of Ramu cannot be overstated. In full production the export of nickel and cobalt will represent approximately 20% of Papua New Guinea's total exports on the basis of current prices and during the construction period the value of in-country work for the Ramu project would represent an increase of 10% in PNG's gross domestic product. This provides the opportunity that the country has been waiting for to kick-start the economy on the back of the Kurumbukari mining operation and the Basamuk metal refinery. With the closure of the Ok Tedi project likely within 10 years, the importance of Ramu to the PNG economy is even more significant.

May I take this opportunity of congratulating landholders, provincial and national government personnel who are working so hard to achieve agreement on Ramu's permitting. However, I must reserve special "thanks for the Mines Minister, Sir Michael Somare, whose support remains invaluable and to Orogen Minerals Limited who joined the Ramu Joint Venture during the year and who are as equally committed to the successful development of Ramu as are we.

However, we must not allow Ramu to overshadow the quite outstanding results that have been achieved in the drilling for gold at Kainantu this past year. We have in prospect the development of a high-grade underground gold mine with an annual production rate of between 150,000 and 200,000 ounces of gold. Our partner, Nippon Mining, shares our enthusiasm, and a vigorous program of infill drilling will be undertaken this year to firm up the resource estimates. If the results of this work are

positive a development decision could be taken next year, which could see Kainantu in production as little as a year later.

At the same time, exploration results this past year at the Frieda River project have significantly increased the tonnage and grade of this world-class copper/gold resource. Ironically however, due to a takeover of our partner, Cyprus Amax has been obliged to withdraw from the project. Unfortunately this will set back development, necessitating a \$21 million adjustment to the carrying value of the project. That said, we will be working hard to secure a new partner for Frieda River and we will be exploring all avenues for the development of this resource.

By any measure, activities this past year have been intense and at times difficult but the vision of developing the Ramu project makes it all worth while. May I take this opportunity to congratulate my Board colleagues, management and staff on the way they have risen to the challenges and achieved some major milestones along the path of turning Highlands Pacific into a major force in the areas of mining and industrial development of Papua New Guinea.

In conclusion, Ladies & Gentlemen, and speaking on behalf of all those involved with Highlands Pacific, I would like to thank you for your continued support; and I can assure you that we will not lose sight of the need to see a marked improvement in shareholder value in the coming year.

Robert Bryan
Chairman of Directors

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