



HIGHLANDS PACIFIC LIMITED ARBN 078 118 653
Incorporated in Papua New Guinea

Registered Office

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Papua New Guinea
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Port Moresby NCD 121
Papua New Guinea

Telephone: (675) **321 7633**

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Registered Office in Australia

GPO Box 3086, Brisbane QLD 4001
Australia
Level 4, 167 Eagle Street
Brisbane Qld 4000
Australia

Telephone: (617) **3239 7800**

Facsimile: (617) 3221 6727

Email: info@highlandspacific.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 10th Annual General Meeting of members of Highlands Pacific Limited will be held in Ballroom 1 at Crowne Plaza Hotel, cnr Hunter & Douglas Streets, Port Moresby, Papua New Guinea on Wednesday, 30 May 2007 at 10:00am.

AGENDA

ORDINARY BUSINESS

1. To receive Accounts and reports

To receive and consider the accounts (including balance sheet and income statement) for the year ended 31 December 2006, together with the reports of the Directors and the Auditors thereon, and if thought fit, pass the following resolution:

"That the accounts (including balance sheet and income statement) for the year ended 31 December 2006 are hereby adopted".

2. Election of Director – Mr Robert Bryan

To consider and, if thought fit, pass the following resolution:

"That Mr Robert Bryan, retiring in accordance with Regulation 10.3 (b) of the Company's Constitution and being eligible, be elected as Director of the Company".

3. Election of Director – Mr Ian Burvill

To consider and, if thought fit, pass the following resolution:

"That Mr Ian Burvill, retiring in accordance with Regulation 10.6 of the Company's Constitution and being eligible, be elected as a Director of the Company".

4. Election of Director – Ms Fiu Williame-Igara

To consider and, if thought fit, pass the following resolution:

"That Ms Fiu Williame-Igara, retiring in accordance with Regulation 10.3 (b) of the Company's Constitution and being eligible, be elected as a Director of the Company".

5. Election of Director – Mr Hunter Richard Hagon

To consider and, if thought fit, pass the following resolution:

“That Mr Hunter Richard Hagon, be elected as a Director of the Company”.

- The Company notes that in relation to the election of directors, 4 candidates are standing for 3 vacant Board positions created by the requirement for retirement under the Company's Constitution. Only 3 candidates may be elected. Therefore if, for example, the first 3 candidates on this notice are elected, the 4th candidate cannot be elected to the Board.

6. Extend the exercise date of options previously issued to financiers

To consider and, if thought fit, pass the following resolution:

“That the exercise date for the 11,144,183 outstanding options granted by the Company to the financiers of the Kainantu gold project to acquire ordinary shares in the Company at AUD0.54, as approved by the shareholders at the 2004 and 2005 Annual General Meetings, be amended from 31 December 2007 to 31 December 2009.”

The ASX Limited granted a waiver of Listing Rule 6.23.3 to the extent necessary for this resolution to be put to shareholders.

The Company will, in accordance with Rule 14.11 of the Listing Rules of the Australian Stock Exchange Limited, disregard any votes cast in respect of this resolution by Societe Generale Australia Branch, ABN AMRO Bank N.V. and First Rand (Ireland) plc (formerly RMB International (Dublin) Limited), or any associate of the same.

However, the Company will not disregard any votes on the resolution if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Appointment of Auditors

To consider and, if thought fit, pass the following resolution:

“That Messrs PricewaterhouseCoopers be appointed as Auditors of the Company”.

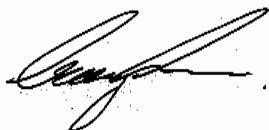
Proxy

As a member of the Company you are entitled to appoint a proxy to attend this meeting on your behalf. The proxy does not need to be a member of the Company. If you are entitled to cast two (2) or more votes, you are entitled to appoint not more than two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If you wish to appoint a proxy, please fill out, sign and return the attached proxy form as directed by the notes on the proxy form.

For the purposes of the meeting, shares will be taken to be held by the persons who are the registered holders at 10.00am (Port Moresby and Brisbane time) on Monday 28 May 2007. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'C.T. Lennon', is written over a horizontal line.

C.T. LENNON
COMPANY SECRETARY

30 April 2007

Highlands Pacific Limited
ARBN 078 118 653

EXPLANATORY MEMORANDUM

The purpose of this Explanatory Memorandum is to provide shareholders with information to assist them in assessing the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of Highlands Pacific.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The Company notes that in relation to the election of Directors, 4 candidates are standing for 3 vacant Board positions created by the requirement for retirement under the Company's Constitution. Only 3 candidates may be elected. Therefore if, for example, the first 3 candidates are elected, the 4th candidate can not be elected to the Board.

Resolution 2 – Election of Director

Mr Robert Bryan retires from his position as a Director in accordance with the retiring-by-rotation provisions of Regulation 10.3 (b) of the Company's Constitution.

Mr Bryan has served as a Director for 10 years, being Chairman for the last 8 years. He is also Chairman of Pan Australian Resources Limited, Queensland Gas Company Limited and a director of the Australian Property Growth Fund. He has more than 45 years experience in the exploration and mining sector.

The Board recommends the re-election of Mr Bryan as a Director.

Resolution 3 – Election of Director

Mr Ian Burvill was appointed on 6 March 2007 and retires from his position as director in accordance with Regulation 10.6 of the Company's Constitution.

Mr Burvill was appointed to the Board as a representative of Resource Capital Fund IV L.P. (RCF IV) as a result of the recent placement to RCF. He is one of RCF's Australian based partners and has more than 20 years' experience in the mining industry, ranging from mineral processing engineering to project finance, to equity investment. Prior to joining RCF, Mr Burvill was in the resource banking department of N.M. Rothschild & Sons (Australia) Limited, and has previously worked as an engineer for mineral processing consultants in Australia and the United States. He is currently a Director of the Toronto listed Australian Solomons Gold Limited.

The Board recommends the re-election of Mr Burvill as a Director.

Resolution 4 – Election of Director

Ms Fiu Williame-Igara retires from her position as a Director in accordance with the retiring-by-rotation provisions of Regulation 10.3 (b) of the Company's Constitution.

Ms Williame-Igara has served as a director for 2 years and has extensive experience at policy level in economic development issues. She has a comprehensive understanding of domestic, regional and international economic, financial, political, socio-cultural and gender issues. Previously Ms Williame-Igara has managed a private enterprise, achieved First Assistant Secretary level in the PNG Department of Finance and Planning and worked as a Regional Coordination Advisor for the South Pacific Forum.

The Board recommends the re-election of Ms Williame-Igara as a Director.

Resolution 5 – Election of Director

Mr Hunter Richard Hagon nominates himself for the position of Director.

It is noted that the number of Directors of the Board is currently five (5) and that if the first three (3) candidates are elected then the fourth candidate cannot be elected.

Hunter Richard Hagon is an Australian citizen who has been working and residing in Papua New Guinea for 53 years and by occupation a mechanical engineer with a background in mining and agriculture and an experienced coffee grower (when associated with Gumanch Plantations Limited, the largest single coffee grower in Papua New Guinea). He is a former Chairman of the Coffee Plantations and Processors Association Inc. and a long serving Board member (approximately 15 years) of the Coffee Industry Corporation Limited and its predecessor the Coffee Marketing Board between 1964 and 2002. Mr Hagon was awarded an OBE in 2002 for his outstanding contribution to the PNG Coffee Industry and is currently a Director of Eastern Pacific Mines Limited and Agricultural and Resources Management Services Limited, and Managing Director of Wahgi Mek Plantations Limited. Eastern Pacific Mines sold its interest in the Ramu project to Highlands Pacific in 1999. The Company refers you to note 30 in the annual accounts.

The Board makes no recommendation in respect of the election of Mr Hagon.

Resolution 6 – Financiers Options

Highlands Pacific's 2004 and 2005 Notice of Annual General Meeting contained resolutions to approve the following issues in securities:

15,144,483 options to Societe Generale Australia Branch, ABN AMRO Bank N.V. and First Rand (Ireland) plc (formerly RMB International (Dublin) Limited) (the "Financiers") with an exercise price of AUD0.54 and an exercise date of 31 December 2007 (the "Options").

The resolutions were approved by shareholders and the Options were subsequently issued to the Financiers. To this date, the Financiers have either transferred or exercised 4,000,000 of these Options, leaving them with a balance of 11,144,183 options.

The Options were granted to the Financiers as consideration for the Financiers increasing the original Kainantu finance facility from USD25 million to USD31 million.

Recently Highlands Pacific negotiated to vary the financing agreement and to restructure the Kainantu project gold forward sales program. As consideration for the Financiers negotiating this variation and restructure, Highlands agreed to extend the exercise date of the outstanding options held by the Financiers from 31 December 2007 to 31 December 2009, in accordance with the terms of the forward sales program (subject to shareholder approval).

The variation to the Kainantu facility and the restructuring of the gold forward sales program was critical in the recent capital raising and one of the key reasons that the Financiers agreed to the variation was the extension of the expiry date of the options.

ASX Listing Rule 6.23.3 provides that a change to options that has the effect of increasing the period for exercise cannot be made. Highlands Pacific has sought and obtained a waiver from ASX Listing Rule 6.23.3, on the following terms:

Based solely on the information provided, ASX Limited ('ASX') grants Highlands Pacific Limited (the "Company") a waiver from listing rule 6.23.3 to the extent necessary to permit the Company to seek shareholder approval at its next general meeting to amend the term of 11,144,183 options exercisable at 54 cents each on or before 31 December 2007 (the "Options"), originally issued to ABN AMRO Bank NV, FirstRand (Ireland) plc and Societe Generale (the "Financiers"), to extend the period for exercise of the Options to 31 December 2009.

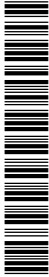
The Board recommends that the exercise date of the outstanding options previously issued to the Kainantu Financiers be extended to 31 December 2009.

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

Proxy Form

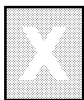
All correspondence to:

Computershare Investor Services Pty Limited
GPO Box 523 Brisbane
Queensland 4001 Australia
Enquiries (within Australia) 1300 552 270
(outside Australia) 61 3 9415 4000
Facsimile 61 7 3237 2152
www.computershare.com



Appointment of Proxy

I/We being a member/s of Highlands Pacific Limited and entitled to attend and vote hereby appoint



the Chairman
of the Meeting
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Highlands Pacific Limited to be held at Ballroom 1, Crowne Plaza Hotel, Cnr Hunter & Douglas Streets, Port Moresby, Papua New Guinea on 30 May 2007 at 10.00am and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS BELOW



If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

Voting directions to your proxy - please mark to indicate your directions

	For	Against	Abstain*		For	Against	Abstain*
1. To receive Accounts and reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. Election of Director - Mr Hunter Richard Hagon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Election of Director - Mr Robert Bryan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. Extend exercise date of options issued to financiers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Election of Director - Mr Ian Burvill	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. Appoint PriceWaterHouseCoopers as Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Election of Director - Ms Fiu Williame-Igara	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

** The Company notes that in relation to the election of directors, 4 candidates are standing for 3 vacant positions created by the requirement for retirement under the Company's constitution. Only 3 candidates maybe elected. Therefore if, for example, the first 3 candidates are elected, the 4th candidate cannot be elected to the Board.

Appointing a second Proxy

I/We wish to appoint a second proxy



Mark with an 'X' if you wish to appoint a second proxy.

AND

 %

OR

State the percentage of your voting rights or the number of securities for this Proxy Form.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

/ /



How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 24 hours before the commencement of the meeting at 10.00am on 30 May 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

- IN PERSON Share Registry - Computershare Investor Services Pty Ltd, Level Nineteen, 307 Queen St, Brisbane, Queensland, 4001, Australia; or
Share Registry - Kina Securities, Lvl 2, Deloitte Tower, Douglas Street, Port Moresby, Papua New Guinea
- BY MAIL Share Registry - Computershare Investor Services Pty Limited, GPO Box 523, Brisbane QLD 4001 Australia;
or
Share Registry - Kina Securities, PO Box 1141, Port Moresby, Papua New Guinea
- BY FAX Australia Facsimile 61 7 3237 2152; or
Papua New Guinea Facsimile 675 308 3899