



# Highlands Pacific Limited

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**NOTICE OF ANNUAL GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**AND**

**PROXY FORM**

Tuesday, 20 May 2008 at 10:00 am  
Crowne Plaza Hotel, cnr Hunter & Douglas Streets,  
Port Moresby, Papua New Guinea



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 11<sup>th</sup> Annual General Meeting of members of Highlands Pacific Limited will be held in Ballroom 2, Crowne Plaza Hotel, cnr Hunter & Douglas Streets, Port Moresby, Papua New Guinea on Tuesday, 20 May 2008 at 10:00am.

## A G E N D A

### 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 2007, 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 2007 are hereby adopted".

NOTE: IN RELATION TO THE RESOLUTIONS 2 TO 5 FOR ELECTION OF DIRECTORS, THERE ARE 4 CANDIDATES FOR 3 POSITIONS. SHAREHOLDERS SHOULD VOTE IN FAVOUR OF NO MORE THAN 3 CANDIDATES. THE ORDER OF THE RESOLUTIONS WAS DETERMINED BY RANDOM LOT IN ACCORDANCE WITH REGULATION 10.11(B) OF THE COMPANY'S CONSTITUTION, AND DOES NOT REFLECT ANY ORDER OF PREFERENCE.
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**2. Election of Director – Michael Carroll**

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

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

**3. Election of Director – John Fowler**

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

"That Mr John Fowler be elected as a Director of the Company".

**4. Election of Director – Kenneth MacDonald**

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

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

## 5. Election of Director – Rod Mitchell

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

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

Mr Robert Bryan and Mr Andrew Berry also retire at the conclusion of the meeting.

## 6. Approval of Auditors

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

"That Messrs PricewaterhouseCoopers be appointed as Auditors of the Company".

## SPECIAL BUSINESS

## 7. Amendment of Directors' and Executives' Share Option Scheme

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

"That pursuant to Listing Rule 10.14 and clause 9.2 of the Directors' and Executives' Share Option Scheme approved by the Company at the General Meeting on 8 April 2007 (Scheme), the shareholders of the Company approve the amendment of the Scheme to increase the number of options to be issued from 3% to 5% of the number of issued ordinary shares from time to time."

NOTES

The Company will, in accordance with Rule 14.11 of the Listing Rules, disregard any votes cast in respect of this resolution by any Director who received any of the options issued and any associate of the Director.

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.

## 8. Approval of issue of executive options to Managing Director

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

"That, in accordance with Listing Rule 10.14, the issue of 2,000,000 executive options to Mr John Gooding, the Managing Director of the Company, under the Executive Share Plan in accordance with the terms described in the Explanatory Memorandum is approved."

NOTES

The Company will, in accordance with Rule 14.11 of the Listing Rules, disregard any votes cast in respect of this resolution by any Director and any associate of the Director.

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.

## 9. Amendment of Constitution

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

"That pursuant to ASX Listing Rule 15.13, POMS0X Listing Rule 15.13 and regulation 17 of the Company's constitution (**Constitution**), the shareholders of the Company approve the amendment of the Constitution by:

1.1 inserting in regulation 1.1, after the definition of "Act", the following definitions:

"ASTC" means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

"ASTC Settlement Rules" means the operating rules of ASTC and, to the extent that they are applicable, the operating rules of each of ASX and Australian Clearing House Pty Limited (ABN 48 001 314 503).";

1.2 inserting in regulation 1.1, after the definition of "special resolution", the following definition:

"Unmarketable Parcel" means a parcel of shares of a single class registered in the same name or the same joint names which is less than:

- (a) the number that constitutes a marketable parcel of shares of that class under the Listing Rules; or
- (b) subject to the Act, the Listing Rules and the ASTC Settlement Rules, any other number determined by the Board from time to time."

1.3 inserting after regulation 4.15, a new clause 4.16, which reads as follows:

### "Unmarketable parcels"

#### 4.16 (a) Board power of sale

The Board may sell a share that is part of an Unmarketable Parcel if it does so in accordance with this regulation. The Board's power to sell lapses if a takeover (as defined in the Listing Rules) is announced after the Board gives a notice under **Regulation 4.16(b)** and before the Board enters into an agreement to sell the share.

#### (b) Notice of proposed sale

Once in any 12 month period, the Board may determine that it will give written notice to a member with a registered address outside Papua New Guinea who holds an Unmarketable Parcel. If it does so, the Board must notify members in writing of its intention and the notice must:

- (i) stating that it intends to sell the Unmarketable Parcel; and
- (ii) specify a date at least six weeks (or any lesser period permitted under the Act or the Listing Rules) after the notice is given by which the member may give the Company written notice that the member wishes to retain the holding.

If the Board's power to sell lapses under **Regulation 4.16(a)**, any notice given by the Board under this regulation is taken never to have been given and the Board may give a new notice after the close of the offers made under the takeover.

#### (c) No sale where member gives notice

The Company must not sell an Unmarketable Parcel if, in response to a notice given by the Company under this **Regulation 4.16**, the Company receives a written notice that the member wants to keep the Unmarketable Parcel.

(d) **Terms of sale**

A sale of shares under this regulation includes all dividends payable on and other rights attaching to them. The Company must pay the costs of the sale. Otherwise, the Board may decide the manner, time and terms of sale.

(e) **Share transfers**

For the purpose of giving effect to this regulation, each Director and each Secretary has power to initiate, execute or otherwise effect a transfer of a share as agent for a member with a registered address outside Papua New Guinea who holds an Unmarketable Parcel.

(f) **Application of proceeds**

The Company must:

- (i) deduct any Called Amount in respect of the shares sold under this regulation from the proceeds of sale and pay the balance into a separate bank account it opens and maintains for the purpose only;
- (ii) hold that balance in trust for the previous holder of the shares (**Divested Member**);
- (iii) as soon as practical give written notice to the Divested Member stating:
  - (A) what the balance is; and
  - (B) that it is holding the balance for the Divested Member while awaiting the Divested Member's instructions and return of the certificate (if any) for the shares sold or evidence of its loss or destruction;
- (iv) if the shares sold were certificated, not pay the proceeds of sale out of the trust account until it has received the certificate for them or evidence of its loss or destruction; and
- (v) subject to **paragraph (iv)**, deal with the amount in the account as the Divested Member instructs.

(g) **Protections for transferee**

The title of the new holder of a share sold under this rule is not affected by any irregularity in the sale. The sole remedy of any person previously interested in the share is damages which may be recovered only from 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 Friday, 16 May 2008. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

## **INCORPORATION OF EXPLANATORY MEMORANDUM**

The Explanatory Memorandum to Shareholders attached to this Notice of Meeting, is hereby incorporated into and forms part of this Notice of Meeting.

By Order of the Board

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

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**C.T. LENNON**  
**COMPANY SECRETARY**

18 April 2008



# EXPLANATORY MEMORANDUM

## INTRODUCTION

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 Limited.

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

In addition to the three retiring directors who are offering themselves for election, an external candidate, Mr John Fowler, has sought election to the Board. Mr Fowler is not currently a Director but being eligible for election, has submitted himself for election at the meeting. If elected, his appointment will take effect at the conclusion of the meeting.

To be successfully elected or re-elected as a Director, a candidate must receive more votes "for" than "against". The Chairman of the meeting intends to vote undirected proxies in favour of the election of Mr Rod Mitchell, Mr Kenneth MacDonald and Mr Michael Carroll and against the election of Mr John Fowler.

The Company notes that in relation to resolutions 2 to 5 for election of Directors, there are four candidates for 3 positions. Shareholders should vote in favour of no more than 3 candidates. The order of the resolutions was determined by random lot in accordance with Regulation 10.11(b) of the Company's Constitution, and does not reflect any order of preference.

## RESOLUTION 2

### ELECTION OF DIRECTOR – MICHAEL CARROLL

Mr Michael Carroll was appointed on 1 April 2008 and retires from his position as Director in accordance with Regulation 10.6 of the Company's Constitution.

Mr Carroll's appointment brings to Highlands over 30 years experience in the mining, petroleum, building and construction and property and services industries. He has experience in the negotiation / integration of small to medium-sized acquisitions and a solid understanding of corporate governance. Mr Carroll is a Fellow of Certified Practising Accountants, and is currently the Chief Executive Officer of the Neumann Associates Group.

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

## RESOLUTION 3

### ELECTION OF DIRECTOR – JOHN FOWLER

The following statement has been provided by Mr Fowler with his nomination. The Company has not independently verified this material and takes no responsibility for its content.

“Mr Fowler has been a shareholder of Highlands Pacific Limited since its inception, and in its predecessor Highlands Gold Limited. He is 62 years of age and has been investing in Australian listed equities for over 40 years. Since graduating from University of Queensland mining school in 1967 he also has over 40 years of professional work experience in the resources sector as a mining engineer, investment analyst in corporate and stockbroking contexts. He has operational and mine planning experience in underground coal and open pit iron ore and manganese operations, resources analyst experience in base, precious and industrial minerals, as well as upstream oil and gas, and minerals marketing experience.

More recently he provided technical due diligence services to National Australia Bank's Project Finance and Corporate Finance units over a period of 16 years to 2006, as an employee in the role of Director, Technical Services, and from 2001 as a full time consultant and adviser as Principal of his incorporated entity Technical and Credit Support Pty Ltd. He has extensive experience in technical and investment due diligence (including reviews of Feasibility Studies and debt facility structuring) for the full range of resources, infrastructure, power generation, petrochemicals and oil and gas financings.

He has participated in all the Highlands Pacific equity offerings to shareholders and has taken an active interest in the company's development. Since early 2006 he has been concerned about the company's performance and now believes that the company board has lost its way and should be held accountable for errors of judgment in relation to selection and direction of management, operational performance, and the financing strategy adopted for the Kainantu gold mine development. He believes the incumbent board was slow to recognise and address the company's operational and financial problems, necessitating the sale of the company's sole operational asset to repay project debt and associated out-of-the-money hedging obligations. As a result the Board has presided over a huge reduction in shareholder value and significant decline in market capitalisation for the companies' securities.

Following the Kainantu sale and stabilisation of the company's finances the company now faces the challenge of re-assessing its remaining joint venture assets at Ramu and Freida River, and in synthesising and executing a new strategy and direction. For this task a process of board renewal appears warranted.

John Fowler submits his board nomination for consideration by shareholders at the forthcoming AGM because he believes that the board needs 'new blood' and that he has the background, experience and energy to work with the existing board to procure for all shareholders a more disciplined, robust and ultimately successful approach in the future.

If elected to the board his key objectives would be to assist the company in:

- improved shareholder consultation and communication, via establishment of a mechanism for regular formal shareholder presentations in Australia
- refinement of the company's corporate growth and development strategy consistent with its new circumstances, shareholder views, and investment horizon
- development of an asset management strategy and management plan to maximise the shareholder value of the company's established joint venture project interests. This may include consideration of appropriate exit strategies.

- provision to shareholders and to the market of a corporate vision and valuation
- development of a management structure and board interface which is appropriate to the renewed corporate strategy”

All Directors believe that Mr Fowler does not have the skills and level of experience required of a Director of the Company, and his participation as a Director would not add value to the Company for shareholders. It is noted that Mr Fowler holds 102,902 shares in the Company.

The Board recommends that shareholders vote against the resolution to elect Mr Fowler.

#### **RESOLUTION 4**

##### **ELECTION OF DIRECTOR – KENNETH MACDONALD**

Mr Kenneth MacDonald was appointed on 1 February 2008 and retires from his position as Director in accordance with Regulation 10.6 of the Company's Constitution.

Mr MacDonald's appointment brings to the Board over 30 years of practiced corporate law experience with particular emphasis on the energy and natural resources sector. Mr MacDonald has recently retired as Queensland Practice Director of Allens Arthur Robinson Lawyers, located in Brisbane. He was also the Executive Partner in charge of the Energy Resources and Infrastructure Department of Allens Arthur Robinson.

Mr MacDonald is an experienced company Director, currently being the Deputy Chairman of the Queensland Investment Corporation, a Queensland government-owned entity with over \$60 billion of funds under management, and is a Director of ASX listed RiverCity Motorways Group. His previous directorships include MIM Holdings Limited, Consolidated Rutile Limited, Cudgen Limited, Omega Oil NL (Chairman) and Save the Children Fund Australia - Queensland Division.

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

#### **RESOLUTION 5**

##### **ELECTION OF DIRECTOR – ROD MITCHELL**

Mr Rod Mitchell 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 Mitchell has served as a Director for 7 years. He is the Chief Executive Officer of National Superannuation Fund of Papua New Guinea, which has been a major shareholder of Highlands Pacific Limited since the initial public offering in 1997. Mr Mitchell has over 20 years experience in the financial investment industry in strategic, investment, operations and property analysis. Prior to joining National Superannuation Fund of Papua New Guinea, Mr Mitchell was the investment officer for an industry superannuation fund with assets in excess of A\$2 billion.

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

## **RESOLUTION 7**

### **AMENDMENT OF DIRECTORS' AND EXECUTIVES' SHARE OPTION SCHEME**

Resolution 7 seeks shareholder approval under ASX Listing Rule 10.14, POMSoX Listing 10.14 and clause 9.2 of the Directors' and Executives' Share Option Scheme (**Scheme**) to amend the Scheme approved on 8 April 1997 by increasing the number of options able to be issued under the Scheme from 3% to 5% of the number of issued ordinary shares from time to time. ASX Listing Rule 10.14 prohibits any acquisition of securities by a Director or his or her associate under an employee incentive scheme without shareholder approval. POMSoX Listing 10.14 is substantially the same in its effect as the corresponding ASX rule, except that the approval must be by special resolution. Therefore, the Scheme may be amended if Resolution 7 is approved by seventy five per cent (75%) of those votes of the shareholders entitled to vote and voting on the question.

Information relevant to Resolution 7 is:

#### **Identity of persons entitled to participate in the Scheme**

The Managing Director and senior management are entitled to participate in the scheme. However, any options issued to the Managing Director will be subject to further shareholder approval.

#### **Maximum number of options**

The maximum number of options to be acquired by all persons for whom approval is required is 5% of the number of the issued shares from time to time.

#### **Consideration of options**

The options will be issued for nil consideration.

#### **Exercise price of options**

The exercise price of options will be determined by the Board of Directors at the time of the issue.

#### **Options already received**

For the purpose of Listing Rule 10.14 no persons have received securities under the Executive Share Option Scheme since the last approval (being the Special Meeting of Shareholders of 27 September 2007 – Resolution 1).

#### **Terms of any loan in relation to the acquisition**

Not applicable.

## RESOLUTION 8

### APPROVAL OF ISSUE OF EXECUTIVE OPTIONS TO MANAGING DIRECTOR

#### Background and reason for the proposal

The Board wants to ensure that the remuneration of Highland's executives is in line with the market and that there is an effective incentive for the executives to improve Highland's performance and the value of investments of the shareholders.

#### Shareholder approval and the proposal

The Directors believe that the granting of these options to Mr Gooding under the scheme could be regarded as the giving of a financial benefit to a related party of the Company which requires approval of shareholders in a General Meeting.

The Australian Securities Exchange ("ASX") also require Highlands to obtain the approval of shareholders for the issue of options to a Director under an employee incentive scheme.

Approval is sought under ASX Listing Rule 10.14, for the issue to Mr Gooding, the Managing Director of Highlands, of 2 million options as follows:

No. of Options	Price Hurdle – VWAP (AUD)	Exercise Price – (AUD)	Value AUD*	Vesting Date	Expiry Date
2,000,000	0.30	0.135	53,077	28 Feb 11	28 Feb 2013

\* The values were calculated independently using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate of the term of the option. The Board draws Shareholders' attention to the fact that the stated valuation does not constitute and should not be taken as audited financial information. The Board believes that the method of valuation to be appropriate in these circumstances.

VWAP – means the volume weighted average share price for Highland's shares on the ASX in ten consecutive trading days.

Mr Gooding currently has 10,000,000 options.

No. of Options	Price Hurdle – VWAP (AUD)	Exercise Price – (AUD)	Vesting Date	Expiry Date
1,500,000	0.25	0.155	21 May 07	21 May 2010
3,500,000	0.35	0.155	21 May 08	21 May 2010
5,000,000	0.50	0.155	21 May 09	21 May 2010

The full terms of the options are set out in the Executive Share Option Scheme, a summary of which is set out in Attachment A.

#### Identity of persons entitled to participate in the Scheme

The Managing Director and senior management are entitled to participate in the scheme. However, any options issued to the Managing Director will be subject to shareholder approval.

**Effect of the proposal**

If all of Mr Gooding's options are exercised, based on the current number of issued shares in Highlands, he would hold approximately 1.8% of the issued shares in Highlands.

Shareholders should note that if Mr Gooding exercises all of his options, it will have a small dilutionary effect on existing shareholders' interest.

**Use of funds raised**

The funds raised by the exercise of the new options will be used by Highlands for working capital.

**Consideration of options**

The options will be issued for nil consideration.

**Issue of options since last approval**

No persons referred to in listing rule 10.14 have received securities under the Executive Share Option Scheme since the last approval (being the Special Meeting of Shareholders of 27 September 2007 – Resolution 1).

**Terms of any loan in relation to the acquisition**

Not applicable

**Voting exclusion**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast by a Director or associate in respect of this resolution.

**Issue Date**

The Options, if approved, will be issued by the Company to Mr Gooding within three months of shareholders approval.

***Recommendation***

Each of the Directors (other than Mr Gooding) recommends the issue of the new options to Mr Gooding for the reason set out above and recommends that you vote in favour of this resolution. None of the Directors (other than Mr Gooding) have an interest in the outcome of the resolution.

## **RESOLUTION 9**

### **AMENDMENT OF CONSTITUTION**

Resolution 8 seeks shareholder approval under ASX Listing Rule 15.13, POMS0X Listing Rule 15.13 and regulation 17 of the constitution to amend the constitution by including a clause allowing the sale of unmarketable parcels by Highlands. ASX Listing Rule 15.13 and POMS0X Listing Rule 15.13 provide that Highlands may only sell unmarketable parcels on behalf of shareholders if the constitution authorises it to do so. Highlands' constitution currently does not authorise such a sale. However, Highlands' constitution may be amended if Resolution 8 is approved by seventy five per cent (75%) of those votes of the shareholders entitled to vote and voting on the question.

Highlands has approximately 13,000 shareholders of which some 6,000 shareholders hold unmarketable parcels; and there is a very substantial administrative cost associated with a shareholder base of this size.

Information relevant to Resolution 8 is:

- (a) **(Definition of Unmarketable Parcel):** Unmarketable Parcel means a number of shares which is less than that required to constitute a marketable parcel of the shares, that is, whose value is below A\$500.
- (b) **(Identity of holders concerned):** for the purpose of this resolution the holders of Unmarketable Parcels will be confined to parties with a registered address outside Papua New Guinea.

Directors recommend shareholders vote in favour of Resolution 8 as it will enable Highlands to clean up its share register.

## Attachment A

### Terms and Conditions of the Highlands Executive Share Option Scheme

- Each option will entitle the option holder to subscribe for 1 fully paid ordinary share in the Company (“Share”) upon exercise of the option and payment of the exercise price.
- The options in each tranche will only be exercisable if the hurdle for that tranche is achieved by the required date.
- Each option will be exercisable at an exercise price as determined by the Directors.
- The options in each tranche will only become exercisable (“vest”) if and when the hurdle for that tranche is achieved by the required date.
- The exercise period for each tranche will commence on the day that the hurdle is achieved (“vesting date”) and will end on the third anniversary of the grant date.
- Each option will be exercisable by giving notice of exercise to the Company and paying the exercise price for the option.
- Options will not confer an entitlement to receive dividends declared and paid by the Company, nor an entitlement to vote at general meetings of the Company.
- Subject to the Company’s constitution, each share issued on the exercise of an option will rank equally in all respects with other issued shares.
- The option holder will not be entitled to participate in new issues without exercising the options.
- The Company will not apply to ASX for official quotation of the options.
- The Company will apply for official quotation by ASX of the shares issued upon exercise of options within the time period required by the ASX listing rules.
- Neither an option nor an option holder will be assignable or transferable except to a company controlled by the Executive or (in the case of death) to the deceased’s personal representative.
- If the option holder holds unexercised options when the Executive’s employment with the Company terminates the unexercised options will lapse as follows:
  - a) if the exercise period has not commenced, the options will lapse immediately upon termination of employment;
  - b) if the exercise period has commenced, the options will lapse at the end of the exercise period.
- Options not exercised prior to the expiry of the exercise period will lapse at the end of the exercise period.
- If a takeover bid is made for shares all options will be exercisable during the offer period regardless of the exercise period and exercise hurdles.
- In the event of a reorganisation of the capital of the Company, the rights of the option holder will be changed to the extent necessary to comply with the listing rules of the ASX applying to a reorganisation of capital at the time of the reorganisation.
- If the capital of the Company is reconstructed, the number of options and/or the exercise price of the options will be correspondingly reconstructed in a manner which will not result in any additional benefits being conferred on option holders which are not conferred on shareholders.

**TO LODGE A PROXY FORM:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia  
Facsimile 61 7 3237 2152

**FOR ALL ENQUIRIES CALL:**  
(within Australia) 1300 552 270  
(outside Australia) 61 3 9415 4000



**FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECEIVED BY 10AM (AEST) 19 MAY 2008**



TO LODGE YOUR PROXY ONLINE, SIMPLY VISIT:  
**[www.computershare.com/au/proxy/hig](http://www.computershare.com/au/proxy/hig)**

- Review your securityholding
- Update your securityholding
- Cast your proxy vote

**YOUR SECURE ONLINE ACCESS INFORMATION**

**SRN/HIN:** \_\_\_\_\_

**POST CODE:** \_\_\_\_\_

**! FOR SECURITY REASONS IT IS  
IMPORTANT THAT YOU KEEP  
YOUR SRN/HIN CONFIDENTIAL.**

**HOW TO COMPLETE THIS PROXY FORM** *Please read these notes prior to completion of the voting form.*

**VOTES ON ITEMS OF BUSINESS**

**Voting 100% of your holding.** You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction. 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.

**Voting a portion of your holding.** You may 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. The sum of the votes cast on each item or the percentages for and against an item must not exceed your voting entitlement or 100%.

**A proxy need not be a securityholder of the Company.**

**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 appoint two proxies you must specify the proportion or number of votes each proxy may exercise, otherwise each proxy may exercise half of the votes. Fractions of votes will be disregarded. A separate Proxy Form should be used for each proxy. You can obtain additional forms by telephoning the company's share registry or you may copy this form. If you lodge two proxies please lodge both forms together.

**SIGNING INSTRUCTIONS**

**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 by telephoning the company's share registry or at [www.computershare.com](http://www.computershare.com).

**LODGEMENT OF A PROXY FORM.** This Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 24 hours before the commencement of the meeting at 10.00am, 20 May 2008. Any Proxy Form received after that time will not be valid for the scheduled meeting.

## STEP 1 APPOINT A PROXY TO VOTE ON YOUR BEHALF

I/We being a member/s of Highlands Pacific Limited hereby appoint

the Chairman of the Meeting OR

 Please leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

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 2, Crowne Plaza Hotel, Cnr Hunter and Douglas Street, Port Moresby, Papua New Guinea. on 20 May 2008 at 10.00am and at any adjournment of that meeting.

**IMPORTANT: FOR ITEMS 7 AND 8 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 7 and 8 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 7 and 8 and your votes will not be counted in computing the required majority if a poll is called on these items.

## STEP 2 ITEMS OF BUSINESS

**! PLEASE NOTE:** 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.

	For	Against	Abstain
1. To receive accounts and reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Election of Director - Michael Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Election of Director - John Fowler	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Election of Director - Kenneth MacDonald	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Election of Director - Rod Mitchell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Amendment of Directors' and Executives' Share Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Approval of issue of Executive Options to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Amendment of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

NOTE: IN RELATION TO THE RESOLUTIONS 2 TO 5 FOR ELECTION OF DIRECTORS, THERE ARE 4 CANDIDATES FOR 3 POSITIONS. SHAREHOLDERS SHOULD VOTE IN FAVOUR OF NO MORE THAN 3 CANDIDATES. THE ORDER OF THE RESOLUTIONS WAS DETERMINED BY RANDOM LOT IN ACCORDANCE WITH REGULATION 10.11(B) OF THE COMPANY CONSTITUTION, AND DOES NOT REFLECT ANY ORDER OF PREFERENCE.

Undirected proxies will be voted 'for' in relation to resolutions 1, 2, 4, 5, 6, 7, 8 and 9; and 'against' in relation to resolution 3.

## SIGN SIGNATURE OF SECURITYHOLDER(S) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

**Change of name and/or address.** If your name and/or address is incorrect, please mark this box and make the correction on this form. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes. *Please note, you cannot change ownership of your securities using this form.*