



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

Registered Office

PO Box 1486
Level 9 Pacific Place
Musgrave Street
Port Moresby NCD 121
Papua New Guinea

Telephone: (675) **321 7633**
Facsimile: (675) 321 7551

Website: www.highlandspacific.com
Email: info@highlandspacific.com

Registered Office in Australia

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

Telephone: (617) 3239 7800
Facsimile: (617) 3221 6727

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting of members of Highlands Pacific Limited will be held in Ballroom 4 at Crowne Plaza Hotel, Cnr. Hunter & Douglas Streets, Port Moresby, Papua New Guinea, on Thursday, 26 May 2005, at 10.00am.

AGENDA

ORDINARY BUSINESS

1 To receive Accounts and Reports

To receive and consider the accounts (including balance sheet and profit and loss account) for the period ended 31 December 2004 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 profit and loss accounts) for the year ended 31 December 2004 are hereby adopted.”

2 Election of Director – Mr 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.”

3 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 10.6 of the Company’s Constitution and being eligible, be elected as a Director of the Company.”

4 Election of Director – Mr Jeffrey Forbes

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

“That Mr Jeff Forbes, retiring in accordance with Regulation 10.6 of the Company’s Constitution and being eligible, be elected as a Director of the Company.”

5 Issue of Options to Financiers

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

“That the shareholders of the Company approve the issue and allotment of 7,572,243 options in the Company to the financiers of the Kainantu gold project.”

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, RMB International (Dublin) Limited and ABN AMRO Bank N.V. and any associates 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.

6 Issue of Options to Managing Director

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

“That, in accordance with Listing Rules 7.1 and 10.14 of the ASX and Listing Rules 7.1 and 10.14 of the POMSoX, the issue of 1,200,000 executive options under the Executive Share Plan to Mr Ian Holzberger, the Managing Director of the Company, is approved.”

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 Mr Ian Holzberger or any associate of Mr Holzberger.

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 Issue of Options to Executives

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

“That, for the purposes of ASX Listing Rule 7.4 and POMSoX Listing Rule 7.4, the shareholders of the Company approve the issue of 2.8 million options under the Executive Share Plan to senior executives of the Company.”

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 persons receiving the options and any associates of those persons.

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 Issue of Shares

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

“That for the purposes of ASX Listing Rule 7.4 and POMS0X Listing Rule 7.4, the shareholders of the Company approve the allotment and issue of 39,639,867 ordinary fully paid shares in the Company by way of a share placement made on 19 April 2005”

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 any person who has participated in the issue or any associates of those persons.

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 Appointment of Auditors

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

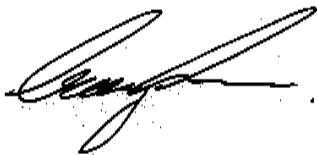
“That Messrs PricewaterhouseCoopers be appointed as auditors of the Company.”

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.

By Order of the Board



C T Lennon
Company Secretary

26 April 2005

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.

Resolutions 2 – election of director

Mr R Mitchell retires from his position as a director in accordance with the retiring-by-rotation provisions of Regulation 10.3 of the Company's Constitution.

Mr Mitchell has served as a director for 4 years. He is the Chief Executive Officer of NASFUND of Papua New Guinea, which has been a major shareholder of Highlands Pacific since the initial public offering in 1997. Mr Mitchell has over 19 years experience in the financial investment industry in strategic, investment, operational and property analysis. Prior to joining NASFUND, Mr Mitchell was the investment officer for an industry superannuation fund with assets in excess of A\$2 billion.

Resolutions 3 & 4 – election of directors

Ms F Williame-Igara and Mr J Forbes were appointed on 24 March 2005 and retire from their positions as directors in accordance with Regulation 10.6 of the Company's Constitution.

Ms Williame-Igara was appointed by the Board to fill a casual vacancy caused by the death of Dr M Moramoro. Ms Williame-Igara has extensive experience at policy level in economic development issues with 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.

Mr Jeff Forbes was appointed an Executive Director in March 2005. He has been with Highlands Pacific since August 1998 as General Manager Finance. Jeff has over 27 years experience in the mining industry. He has been heavily involved in the evaluation, development, financing and operations of mining projects in Papua New Guinea, Indonesia and Australia. He has worked for a number of major mining companies. He brings a close link between management and the Board.

Resolution 5 – issue of options to Financiers

During 2003 the Company negotiated a finance facility with ABN AMRO for the development of the Kainantu gold project. ABN AMRO represent the banking syndicate for the facility with the other banks being RMB International and Soci t  Generale.

In negotiating the finance facility the Company agreed that if more than USD28 million was drawn against the USD31 million facility it would issue 2,524,081 options to each of the three banks, a total of 7,572,243 options. The options are to be issued for no consideration. The Company will potentially draw more than the USD28 million due to the increase in the capital costs at Kainantu and is required to issue the additional tranche of options.

The exercise price for the options is AUD0.54 per share which was a 20% premium to the share price when the Facility Agreement was finalised. The options can be exercised from the time of the first drawdown (23 September 2004) of the facility until 31 December 2007. The securities will be issued within three months from the date they are approved by shareholders. The Company will not seek quotation for the securities and they will not be listed on the ASX or POMSx.

If the banks do exercise the options then the consideration they pay in respect to the shares will go as a prepayment to the finance facility and therefore reduce the amount the Company is required to repay. If exercised in full this would reduce the facility by AUD4.1 million.

Resolutions 6 – issue of options to Managing Director

The Audit Committee, which performs the function of the Remuneration Committee, is responsible for reviewing compensation arrangements for the Directors and Managing Director. The Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis. The remuneration packages offered are compared to relevant employment market conditions with the overall objective of ensuring the Company benefits from the retention of high quality personnel. To assist in achieving this objective, this remuneration package for the Managing Director, is linked to the financial and operation performance of the Company. Therefore, the Directors (excluding Mr Ian Holzberger) have agreed to issue options under the Executive Share Option Scheme to Mr Holzberger, the Managing Director of Company.

The Directors believe that the granting of these options to Mr Holzberger under the plan 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 ASX and POMSx Listing rules require the Company to obtain approval of shareholders to the issue of options to a director under any employee incentive scheme.

Therefore approval is sought under ASX Listing rules 7.1 and 10.14, and POMSx Listing Rules 7.1 and 10.14 for the issue to Mr Ian Holzberger, the Managing Director of Highlands Pacific, 1,200,000 options with the following details:

Performance Hurdle	Number of Options	Date
Production at Kainantu mine.	400,000	30 September 2005
Release Highlands Pacific Limited from Guarantee from Kainantu Facility.	400,000	30 September 2006
Agreement for Ramu entered into.	200,000	30 June 2005
Board Determination	200,000	31 December 2005

The options would be exercisable after the completion of certain performance hurdles by certain dates (detailed above). The exercise period for these options commence on the day that the performance hurdle is achieved (“vesting date”) and will end on the third anniversary of the vesting date. Options are granted under the plan for no consideration and have an exercise price of A\$0.37. The Board reserves the right to vary the performance hurdles at its discretion.

Resolutions 7 – issue of options to Senior Executives (based on achievement of hurdles set by the Board)

The Directors of Highlands Pacific want to ensure that the remuneration of the senior executives is in line with the market perceptions of Highlands Pacific's performance and that there is an effective incentive for the executives to improve the Company's performance and the value of investments to shareholders. The most effective way to ensure this was through an Executive Share Option Scheme.

The options issued under the Executive Share Option Scheme are exercisable after the completion of certain performance hurdles by certain dates. The exercise period for these options commence on the day that the performance hurdle is achieved ("vesting date") and will end on the third anniversary of the vesting date. Options are granted under the plan for no consideration and have an exercise price of A\$0.37.

Options issued to date under the Executive Share Option Scheme to which these resolution relates total 2,800,000 and to date none have been exercised.

ASX Listing Rule 7.1 provides that a listed company may not in any 12 month period issue more than 15% of the total number of issued securities unless the shareholders otherwise approve. The same rule applies under the Listing Rules of the Port Moresby Stock Exchange ("POMSoX"). The Executive Share Plan was undertaken within the above rule.

The purpose of resolution 7 is to approve the Executive Share Plan, so that for the purpose of ASX Listing Rule 7.1 and POMSoX Listing Rule 7.1, the number of securities issued in the last 12 months without shareholder approval returns to zero.

Resolution 8 – issue of shares

On 19 April 2005, Highlands Pacific raised AUD16.5 million by way of a share placement of 39.6 million ordinary fully paid shares at a price of AUD0.42 per share to overseas and domestic institutions, which was arranged and managed by ABN AMRO Morgans Limited. This represented approximately 9% of the total number of issued securities.

The funds raised from the share placement are to be used for exploration and working capital for the Group.

ASX Listing Rule 7.1 provides that a listed company may not in any 12 month period issue more than 15% of the total number of issued securities unless the shareholders otherwise approve. The same rule applies under the Listing Rules of the Port Moresby Stock Exchange ("POMSoX"). The Share Placement was undertaken within the above rule.

The purpose of resolution 7 is to approve the share placement, so that for the purpose of ASX Listing Rule 7.1 and POMSoX Listing Rule 7.1, the number of securities issued in the last 12 months without shareholder approval returns to zero.



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 3229 9860
www.computershare.com

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



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 4, Crowne Plaza Hotel, Cnr Hunter & Douglas Streets, Port Moresby, Papua New Guinea on Thursday, 26 May 2005 at 10.00am and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS 5, 6, 7 & 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 5 to 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 5 to 8 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 adopt the accounts and directors' report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. To approve the issue of options to the Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Elect as a Director - Mr R Mitchell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. To approve the issue of options to the Executives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Elect as a Director - Ms F Williame-Igara	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. To approve the issue of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Elect as a Director - Mr J Forbes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. Appointment of Auditors - PricewaterhouseCoopers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve the issue of options to Financiers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

The Chairman of the Meeting intends to vote undirected proxies in favour of each item 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.

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

Contact Name

Contact Daytime Telephone

Date

/ /



How to complete this 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. 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 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.

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 48 hours before the commencement of the meeting at 10.00am on Thursday, 26 May 2005. Any Proxy Form received after that time will not be valid for the scheduled meeting.

010047 - V1

Documents may be lodged using the reply paid envelope or:

- IN PERSON Share Registry, Computershare Investor Services Pty Ltd, Level 27, Central Plaza One, 345 Queen St, Brisbane, Queensland, 4001, Australia; or
Share Registry, Kina Securities, Level 2, Deloitte Tower, Douglas Street, Port Moresby, Papua New Guinea
- BY MAIL Share Registry, Computershare Investor Services Pty Limited, GPO Box 523, Brisbane QLD 4000 Australia; or
Share Registry, C/o Kina Securities, PO Box 1141, Port Moresby, Papua New Guinea
- BY FAX Australia Facsimile 61 7 3229 9860; or
Papua New Guinea Facsimile 675 308 3899

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 3229 9860
web.queries@computershare.com.au
www.computershare.com

Securityholder Reference Number (SRN)

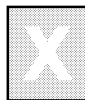
Annual Report

Use a **black** pen.
Where a choice is required,
mark the box with an 'X'



A Annual Report Request

The company will automatically mail you an Annual Report each year unless you elect otherwise.



Please mark this box with an 'X' if you **DO NOT** wish to receive the company's Annual Report.
You will, however, receive all other securityholder mailings including notices of meetings and proxy forms.

How to complete this form

A

Annual Report Request

Can you help us reduce costs?

We have many securityholders and it is costly for the company to produce and mail Annual Reports. We are required to automatically mail you a report each year unless you instruct us otherwise.

By marking the box overleaf you can select not to receive a copy of the company's Annual Report. However, you will still receive all other securityholder mailings including notices of meetings and proxy forms.

This instruction only applies to the specific holding identified by the SRN/HIN and the name appearing on the front of this form.

The Annual Report, other releases and general company information are also available on our web site at www.info@highlandspacific.com

3 A R

H I G

Please return the completed form to:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

