

15 October 2002

**THIS IS AN  
IMPORTANT  
DOCUMENT**

Dear Shareholder

## **OFFER TO PARTICIPATE IN SHARE PURCHASE PLAN**

The Directors of Highlands Pacific are pleased to offer its shareholders an opportunity to participate in the capital raising initiatives of the company through a Share Purchase Plan (SPP).

On 3 October 2002, Highlands Pacific announced the placement of 24 million shares at 25 cents each raising A\$6 million. The placement was made to Australian and International institutional and sophisticated investor clients of ABN AMRO Morgans Limited. The placement represented approximately 11% of the issued capital of Highlands Pacific. At the same time, Highlands Pacific also announced the implementation of the SPP, subject to shareholder approval at a General Meeting.

The SPP enables each shareholder to subscribe for up to A\$5,000 in new fully paid ordinary shares at a price of 25 cents per share, the same price as shares issued under the share placement.

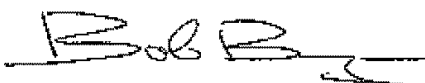
The details of the SPP and the application form to purchase shares in the SPP are attached. A Notice of General Meeting with explanatory notes and Proxy Form accompany this letter.

The funds raised from the placement and the SPP will be used for the development of the high-grade Kainantu gold project. Detailed information on the project can be obtained from the Company's web site "[www.highlandspacific.com](http://www.highlandspacific.com)".

This is a splendid opportunity for shareholders to purchase shares in the Company as it is poised to take the Kainantu high-grade gold project forward.

I commend the SPP to you.

Yours faithfully



Robert Bryan  
Chairman

## **SHAREHOLDERS' SHARE PURCHASE PLAN**

### **Australian and New Zealand Offer**

**15 October 2002**

This Share Purchase Plan (SPP) entitles shareholders in Highlands Pacific Limited, irrespective of the size of their shareholding, to purchase up to \$5,000 worth of ordinary shares in the company.

The terms and conditions of the SPP are set out below. By agreeing to purchase shares in the SPP you will agree to be bound by the terms and conditions of the SPP.

#### **Participation**

Participation in the SPP is open to all persons registered as holders of fully paid ordinary shares of Highlands Pacific on 11 October 2002 with a registered address in either Australia, New Zealand or Papua New Guinea. Participation in the SPP is entirely at your option.

Offers made under the plan are not renounceable. This means that shareholders cannot transfer their right to purchase shares under this offer to another person.

#### **Pricing**

The SPP enables each shareholder to subscribe for up to A\$5,000 in new fully paid ordinary shares at a price of 25 cents per share, being the same price as for shares issued under the share placement on 9 October 2002 and a discount to the market price of the shares at the time of the placement.

Shareholders will not pay any brokerage or other transaction costs in relation to purchases of Highlands Pacific shares under the SPP.

You should note that the market price of Highlands Pacific shares may rise or fall between the date of this offer and the date the shares are allotted to you. This means that the price you pay per share under this offer may exceed the price of Highlands Pacific shares at the time the shares are allotted to you under the SPP. Accordingly, you should seek your own financial advice in relation to this offer and your participation in the SPP.

## Shares Offered

Eligible shareholders may apply for a specified number of shares, under one of the following alternative offers:

Offer	No. of Shares Offered	Subscription Amount
A	4,000	A\$1,000
B	8,000	A\$2,000
C	12,000	A\$3,000
D	16,000	A\$4,000
E	20,000	A\$5,000

This SPP offer complies with Australian Securities and Investments Commission Class Order 02/831.

Under that Class Order, the maximum number of 20,000 shares will apply even if you receive more than one offer (for example, because you are a joint holder of shares or because you hold more than one shareholding under separate accounts). Highlands Pacific reserves the right to reject any application for shares where it believes this rule has not been complied with.

The SPP is subject to the shareholders of Highlands Pacific approving the issue of up to 121,000,000 ordinary shares under the SPP at a general meeting of Highlands Pacific shareholders to be held on 14 November 2002 in Port Moresby. Shareholders will also be asked to approve the issue of shares under the placement. The Notice of General Meeting with explanatory notes and Proxy Form accompany this offer.

All new shares issued under the SPP will rank equally with existing fully paid ordinary shares in Highlands Pacific at the date of allotment and will carry the same voting rights, dividend rights and other entitlements at the allotment date.

## Scaling Back of Applications

The Highlands Pacific board has determined that the SPP should be subject to a maximum amount of 121,000,000 shares (approximately A\$30 million), and has therefore set a cap on the number of shares that may be issued under the SPP. If the aggregate value of applications received by Highlands Pacific under the SPP exceeds 121,000,000 shares, Highlands Pacific will scale back the applications.

If scaling back does occur:

- all applications made under a relevant Offer category will be scaled back in the same way; and
- Highlands Pacific will refund the excess application money (without interest).

Any determination in respect of scaling back will be made by the board.

## Allotment of shares

Shares issued under the SPP will be allotted on or about the allotment date, 26 November 2002. Highlands Pacific will promptly after allotment make application to the Australian Stock Exchange and Port Moresby Stock Exchange for the shares to be listed for quotation. Holding statements should be received shortly after the allotment date.

## Timetable

Record date	11 October 2002
General Meeting to approve SPP and ratify placement	14 November 2002
SPP offer closes	21 November 2002
Issue and allotment of Shares	26 November 2002
Anticipated quotation of Shares on ASX & POMSoX	2 December 2002

Applications received after 21 November 2002 will not be accepted. If the exact amount of money is not tendered with the Application Form, Highlands Pacific reserves the right to return your Application Form and cheque and not allot any shares to you, or to accept it in respect of a number of shares for which the subscription amount is equal to or less than your payment.

If you have any questions in respect of the SPP, please contact your stockbroker, financial adviser or Highlands Pacific's share registry, Computershare Investor Services Pty Limited on 1300 552 270.

## Acceptance of Offer

If you wish to apply for shares under the SPP, you should complete the enclosed Application Form and forward it with your payment by cheque made payable to "Highlands Pacific Share Purchase Plan" to the share registry at the address below in the enclosed reply paid envelope to be received no later than 5.00 pm on 21 November 2002:

### Hand deliver to:

Computershare Investor Services Pty Ltd.  
Level 27, Central Plaza One  
345 Queen Street  
Brisbane Qld 4000

OR

### Post to:

Computershare Investor Services Pty Ltd.  
GPO Box 523  
Brisbane Qld 4001



**J I Forbes**  
**Company Secretary**



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

**Registered Office in Australia**

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

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

Website: www.highlandspacific.com

Email: info@highlandspacific.com

**SHAREHOLDERS' SHARE PURCHASE PLAN APPLICATION FORM**

Broker Code

Adviser Code

Broker Reference Stamp

**TO THE DIRECTORS:** I/We the above mentioned being registered as ordinary shareholder(s) in the Company as at 11th October 2002 do hereby apply for the number of new shares as stated below at an issue price of \$0.25 per share issued in accordance with the terms of the Highlands Pacific Limited Shareholder Share Purchase Plan and the Constitution of the Company.

ORDINARY SHARES HELD	ORDINARY SHARES ACCEPTED AT \$0.25 PER SHARE	AMOUNT ENCLOSED
		\$ _____

**IMPORTANT NOTICE**

Eligible shareholders may apply for a specified number of shares, under ONE of the following alternative offers:

Offer	No. Shares	Subscription Amount
A	4,000	A\$1,000
B	8,000	A\$2,000
C	12,000	A\$3,000
D	16,000	A\$4,000
E	20,000	A\$5,000

I/We enclose payment of \$0.25 for each new fully paid ordinary share accepted, and hereby authorise you to place my/our name(s) on the register of members in respect of the new fully paid shares allotted to me/us and I/We agree to be bound by the Company's Constitution.

**INSERT DETAILS OF YOUR CHEQUE OR BANK CHEQUES - PLEASE COMPLETE IN BLOCK LETTERS**

Name of Drawer	Cheque No.	BSB	Amount

**Daytime contact details**

Please provide a daytime (business hours) telephone number so that we can contact you if we have any questions regarding your application.

**This Share Purchase Plan Application Form with your payment must be lodged with the Company or the Share Registry not later than 5:00 pm Brisbane time on 21<sup>st</sup> November 2002.**

RETURN OF THIS DOCUMENT WITH YOUR CHEQUE WILL CONSTITUTE YOUR ACCEPTANCE OF THE TERMS AND CONDITIONS OF THE HIGHLANDS PACIFIC LIMITED SHAREHOLDERS' SHARE PURCHASE PLAN.

**INSTRUCTIONS TO COMPLETE APPLICATION FORM (SEE OVERLEAF)**

## INSTRUCTIONS TO COMPLETE APPLICATION FORM

### **Payment**

The amount of your cheque must be equal to the amount stated on the front of this form as the 'amount enclosed'. If the amount of your payment is a different amount, Highlands Pacific Limited reserves the right to either reject your application or accept it in respect of a number of shares for which the subscription amount is equal to or less than your payment.

Payment must be made in Australian currency only. Cheques should be made payable to "**Highlands Pacific Share Purchase Plan**" and crossed "Not Negotiable". Receipts for payment will not be issued.

Cash payment will not be accepted. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

### **Acknowledgement and Certification**

By forwarding and completing the Application Form, each Applicant:

- acknowledges that he/she has read, understood and agrees to be bound by the terms and conditions of the SPP;
- agrees to accept any lesser number of new shares than the number of new shares applied for; and
- certify that the total cost of all shares applied by him/her under the Share Purchase Plan (including through joint and beneficial holdings) does not exceed \$5,000.

### **How to lodge your application**

The completed form with your payment should be forwarded in the reply-paid envelope provided to the Share Registry of the Company located at the addresses set out below and must reach that address by 5:00pm Brisbane time on Thursday, 21 November 2002.

#### **Hand deliver to:**

Computershare Investor Services Pty Limited  
Level 27, Central Plaza One  
345 Queen Street  
Brisbane Qld 4000

**OR**

#### **Post to:**

Computershare Investor Services Pty Limited  
GPO Box 523  
Brisbane Qld 4001

**Your Application Form must be received no later than 5:00pm Brisbane time on Thursday,  
21 November 2002.**

**If you have any enquiries or would like to receive a further copy of the terms and conditions of the  
Shareholders' Share Purchase Plan, please contact  
Computershare Investor Services on  
1300 552 270 (within Australia) or 61 3 9615 5970 (outside Australia).**

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