

CHAIRMAN'S ADDRESS

Ladies and Gentlemen

At the last Annual General Meeting on 30 May 2007 and at a follow-up Special General Meeting on 27 September 2007, the story I presented to Shareholders was grim. Despite the great improvements introduced at the Kainantu Mine by the new management headed by Managing Director, John Gooding, we appeared to be heading for deeper and deeper trouble. In fact, we faced the real possibility of the Kainantu problems bringing the Company down.

I am pleased to report, Ladies and Gentlemen, that there has been a dramatic change in the Company's fortunes. Subject to shareholder endorsement and the necessary governmental approvals, the Kainantu Mine and the adjacent Exploration Leases will be sold to Placer Dome Oceania Limited (a wholly owned subsidiary of Barrick Gold Corporation) for US\$141.5 million. The end result would be that the gold hedge book will be closed out, all debts will be cleared and Highlands will have approximately US\$30 million in cash to start afresh.

This is a quite outstanding outcome for Highlands and full credit for the outcome must go to Managing Director, John Gooding, Chief Financial Officer, Craig Lennon and the committed team at Kainantu headed by General Manager, Dave Whittle.

I should also express appreciation for the professionalism displayed by the counterparties at Barrick Group; for to set a target for deal closure of 11 December 2007 – only 7 weeks after signing the Binding Purchase Agreement with Highlands – commitment and professionalism was required from all involved.

Our Mine workforce and the affected landholders have also been kept in the loop and while there are bound to be some concerns at the changes taking place, there appears to be confidence in the arrangements that we have worked out with them and with the Barrick Group. This confidence is well placed.

While certain activities at the Mine are bound to change, the level of activity is certain to increase as Barrick strives to develop a much bigger mine than Highlands' present operations at Kainantu. In this context, we should all remember that the Barrick Group is the largest gold miner in the world and has just moved to 95% ownership at Porgera; they do not do things by halves!

I would like to stress that while Highlands will be withdrawing from the Kainantu area, it retains an attachment to the landholders with whom we worked so closely over the past 10 years. And consistent with this, Highlands will be setting aside K1.2 million to assist in the education of young people of the district – recognising that the young are the citizens of tomorrow. Perhaps a future Grand Chief may spring from this group of students?

And what will Highlands look like after Kainantu is sold, and what can our shareholders look forward to? Highlands will retain its current interest in its two world-class resource projects at Ramu and Frieda; it will have no debt and it will have approximately US\$30 million to underpin John Gooding's future programs. This is a "new beginning" that most mining explorers could only dream about!

At Ramu, we have an 8.6% interest in a world scale nickel-cobalt project, carried to first production and with the opportunity of boosting this equity to 20.55%. MCC have already spent over US\$150 million at Ramu, and first production is expected in late 2009. At current metal prices, Highlands' share of initial revenue should be about US\$100 million annually.

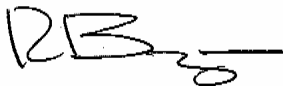
At the Frieda River copper gold project, Highlands has 16.22% interest carried to bankable feasibility study. To provide an indication of scale, the Frieda depot is estimated to contain 7.5 million tonnes of copper and 14.3 million ounces of gold. Xstrata is working very hard to make a success of Frieda.

And as a purely gold play, Highlands will retain its exploration tenement at Bulolo / Wau where very attractive gold grades have turned up in trenching and in widely spaced drilling at the Kobiak and Yangalemu prospects. This work was carried out some ten years ago, and we are now dusting off the files in the light of today's near-record gold prices.

In addition, John Gooding will be looking for opportunities to secure a position for Highlands in new advanced exploration projects or in possible mine developments in Australasia to diversify our geographic coverage. This makes good sense though Highlands is certain to maintain a strong presence in PNG.

Ladies and gentlemen, before I close, let me remind you of how I answered a concerned and rather glum shareholder at our last Annual General Meeting. I said that I would be doing my best to put a smile on his face by the next AGM in May 2008. I fancy shareholders are entitled to smile today – some five months ahead of time!

I thank you all for your continued support.



ROBERT BRYAN
CHAIRMAN

5 December 2007