



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

**Registered Office**

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Papua New Guinea  
Level 1, Allotment 6, Section 58, Sir  
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17 December 2008

## UNMARKETABLE PARCEL SALE FACILITY

The Board of Directors of Highlands Pacific Limited ("HPL") (ASX: HIG) announce that the Company today is establishing an Unmarketable Parcel Sale Facility that will enable non PNG based shareholders who hold less than a marketable parcel of shares (e.g. less than A\$500 total shareholdings) to dispose of their unmarketable parcel of shares without incurring any brokerage fees.

HPL currently has on its shareholders register over 6,000 shareholders who hold unmarketable parcels of shares. These shareholders hold approximately 14.9 million shares representing less than 2.3% of the total shares on issue.

In accordance with regulation 4.16 of the HPL Constitution and the Australian Stock Exchange Listing Rule 15.13, the Company has initiated an Unmarketable Parcel Sale Facility for all unmarketable parcels of shares, designed to reduce administration and registry costs through the sale of unmarketable parcels of shares.

All non-PNG based HPL shareholders that hold unmarketable parcels of shares at 7pm (Sydney time) on 12 December 2008 will receive a copy of the attached letter and a Small Holding Sale Facility Form outlining the terms and conditions of the Unmarketable Parcel Sale Facility.

A handwritten signature in black ink, appearing to read "Ken MacDonal", is written over a horizontal line.

Mr Ken MacDonal  
Chairman

*For further information contact:*

**Mr John Gooding**  
Managing Director  
Highlands Pacific Ltd  
Phone: (61 7) 3239 7800

or

**Mr Craig Lennon**  
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Dear Shareholder,

## UNMARKETABLE PARCEL SALE FACILITY

The Board of Directors of Highlands Pacific Limited ("HPL") invite you, as a shareholder holding parcels of shares valued at less than A\$500 ("unmarketable parcels of shares") as at 7pm (Sydney time) on 12 December 2008, to participate in the Unmarketable Parcel Sale Facility.

Our records indicate that you are the holder of an unmarketable parcel of shares, based on your shareholding at 7pm (Sydney time) on 12 December 2008 (Record Date) and the closing price of HPL shares on the Australian Securities Exchange (ASX) of A\$0.05 on 12 December 2008. Details of the number of shares you hold are set out in the enclosed Small Holding Sale Facility Form.

The cost to the Company in administering shareholdings of unmarketable parcels of shares, which includes providing annual reports, notices of meetings and maintaining the share registry, is considerable. In many cases these expenses are often greater than the value of the underlying shares.

To reduce the administration costs to the Company and due to the disproportionately high brokerage fees that you may face in selling your unmarketable parcels of shares, the Company gives notice that it would like to exercise its right to sell your unmarketable parcels of shares pursuant to regulation 4.16 of the HPL Constitution and the Australian Stock Exchange Listing Rule 15.13.

Regulation 4.16 states:

(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) state 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 4.15(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 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 sales (**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.

Regulation 1.1 defines "Unmarketable Parcel" as:

"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.



Under the Unmarketable Parcel Sale Facility you will not be charged any brokerage fees and HPL will pay all costs associated with the sale of your unmarketable parcels of shares.

The sale of unmarketable parcels of shares does not require shareholder approval.

**If you wish to sell your shares under the Unmarketable Parcel Sale Facility then you do not need to do anything.**

It is however your choice and you may elect to maintain your existing shareholding.

**In order to retain your existing shareholding you must complete and return the attached Small Holding Sale Facility Form by post prior to 5pm (Brisbane time) on 13 February 2009 to the Company's share registry, Computershare Investor Services Pty Limited.**

Unless directed otherwise, HPL will sell your shareholding on your behalf on market and send you the sale proceeds.

### **The Price of HPL shares**

In the period from 1 November 2008 to 5 December 2008, HPL shares have traded on the ASX in the range of A\$0.060 to A\$0.040, with the closing price on 12 December 2008 being A\$0.05. The price of HPL shares is subject to change from time to time, and pricing information is available from a number of sources, including daily newspapers or the ASX website ([www.asx.com.au](http://www.asx.com.au)) under the ASX code "HIG".

You should be aware that the price for HPL shares that are sold under the Facility will depend on a number of factors (including prevailing market conditions) and you will not have control over the time at which your shares are sold. The amount you receive will be an average price based on the price obtained for all HPL shares sold under the Facility. Please see the discussion below as to how the relevant price will be determined.

You should also note that the price at which HPL shares will be sold under the Facility is not fixed and is not underwritten. The price you receive for your shares under the Facility may be less than the market price of HPL shares at any given time, or the price appearing in daily newspapers or quoted by the ASX on any day, and may not be the best execution price on the trading day or trading days that your shares are sold. If a large number of HPL shares are sold under the Facility at the same time as your shares, this may have an adverse effect on the price that you receive.

However, without limitation to the foregoing, the HPL shares must be sold under the Facility at the best price reasonably obtainable for those shares at the time of the relevant sale.

If sold off-market the price at which we sell your shares will be the market price at the date of sale, less 10%. If the sale is an on market sale, your shares will be pooled with all other on market sales and the price will be the volume weighted average price achieved for the sale of all the unmarketable parcels. The Company will pay brokerage and all other costs associated with the sale, and will remit the proceeds to you once the sale has occurred.

A Director or the Company Secretary of the Company will act as your agent to sell the shares and has the power to affect a market transfer on your behalf by executing any document necessary. They may also enforce the terms of any sale contract on your behalf.

Until the sale occurs, you will be entitled to the voting and any dividend rights attaching to the Unmarketable Parcel. You can also at any time sell the shares yourself (in which case you will pay brokerage and any other fees), or top up your shareholding through your broker so that it no longer constitutes an Unmarketable Parcel.

You should also note that the Company reserves the right to withdraw the sales process at any time prior to the sale occurring.



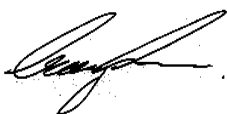
Please note that in accordance with HPL's Constitution, the Facility will lapse if a takeover bid for HPL is announced before sales under the Facility are completed, although it may be started again after the close of offers made under the takeover.

The proposed timetable is as follows:

<b>Event</b>	<b>Date</b>
Record Date	12 December 2008
Announcement to ASX	17 December 2008
Letters sent to shareholders	19 December 2008
Last Date for election not to participate	13 February 2009
Remittance of proceeds	20 February 2009

### **Next Steps**

IF YOU WISH TO SELL YOUR UNMARKETABLE PARCEL	You need do nothing. The sales process will occur in terms of the above timetable and conditions.
IF YOU DO NOT WISH TO SELL YOUR UNMARKETABLE PARCEL	You <b>MUST</b> return the enclosed Small Holding Sale Facility Form to Computershare Investor Services Pty Limited to the address stated on the Small Holding Sale Facility Form by 5pm (Brisbane time) on 13 February 2009.
IF YOU WISH TO SELL YOUR UNMARKETABLE PARCEL ON OR BEFORE 13 FEBRUARY 2009	You are free to sell your shares at any time. Contact your broker. You will be liable for brokerage and any other costs.
IF YOU WISH TO TOP UP YOUR HOLDING SO THAT IT IS NO LONGER AN UNMARKETABLE PARCEL	You can do so at any time before 13 February 2009, by contacting your broker. You will be liable for brokerage and any other costs.



Craig Lennon  
Company Secretary

*For further information contact:*

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