



HIGHLANDS PACIFIC LIMITED

(ARBN 078 118 763)

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

AND

PROXY FORM

A NOTICE OF ANNUAL GENERAL MEETING TO BE HELD AT
10.00AM ON 19 MAY 2016
AT
GRAND PAPUA HOTEL, MARY STREET
PORT MORESBY, PAPUA NEW GUINEA
IS
INCLUDED IN THIS DOCUMENT.

TO BE VALID, ALL PROXY FORMS FOR USE AT THIS ANNUAL GENERAL MEETING MUST BE
COMPLETED AND RETURNED NO LATER THAN 10AM (AEST) ON 18 MAY 2016



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of shareholders of Highlands Pacific Limited will be held at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea on Thursday, 19th May 2016 at 10:00am.

A G E N D A

BUSINESS

1. To receive accounts and reports

To receive and consider the accounts (including the statement of financial position and statement of comprehensive income) for the year ended 31 December 2015, together with the reports of the Directors and the Auditors thereon and, if thought fit, pass the following resolution:

"That the accounts (including the statement of financial position and statement of comprehensive income) for the year ended 31 December 2015 are hereby adopted".

2. Election of Director – Michael Carroll

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

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

3. Election of Director – Dan Wood

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

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

4. Approval of Auditors

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

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

5. Approval of issue of performance rights to Managing Director

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

"That, in accordance with ASX Listing Rule 10.14, the issue of 5,100,000 performance rights to Mr John Gooding, Managing Director of the Company, under the Highlands Pacific Performance Rights Plan in accordance with the terms described in the Explanatory Memorandum is approved."

NOTICE OF ANNUAL GENERAL MEETING

NOTES

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in respect of this resolution by a Director of the entity – except one who is ineligible to participate in any employee incentive scheme in relation to the entity; and an associate of that person (or 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 directions on the proxy form to vote as the proxy decides.

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 or more votes, you are entitled to appoint not more than two 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 7.00pm (Port Moresby and Brisbane time) on Tuesday, 17th May 2016. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

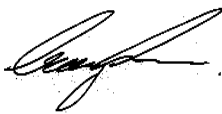
Proxy forms can be delivered by post to the Share Registry of the Company, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001; or sent by fax to the Share Registry of the Company, Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia).

Should you have any queries please feel free to contact me.

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



C.T. LENNON
COMPANY SECRETARY

15 April 2016

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 (**Highlands**).

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

RESOLUTION 2

ELECTION OF DIRECTOR – MICHAEL CARROLL

Mr Carroll was originally appointed a Director on 1 April 2008 and most recently re-elected on 21 May 2014. He now retires from his position as Director in accordance with the retiring-by-rotation provisions of Regulation 10.3(b) of the Company's Constitution.

Mr Carroll is a Fellow of Certified Practising Accountants with over 40 years experience in a broad range of industries (in all states of Australia). These include mining, petroleum, building and construction, property and a number of service industries. Mr Carroll has held executive management positions with Brambles Industries Limited, James Hardie and Comalco and is currently Chief Executive Officer of Neumann Associate Companies. He has extensive experience in acquisitions (including integration), Government and semi-Government relationships, business development, profit growth and Corporate Governance. Mr Carroll is a member of the Australian Institute of Directors.

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

RESOLUTION 3

ELECTION OF DIRECTOR – DAN WOOD

Mr Wood was originally appointed a Director on 28 May 2010 and was most recently re-elected on 21 May 2014. He now retires from his position as Director in accordance with Regulation 10.3(b) of the Company's Constitution.

Mr Wood is an adjunct professor with the W H Bryan Mining and Geology Research Centre at the University of Queensland, and an exploration geologist with a distinguished international record in the mining industry. He retired from mineral exploration in late 2008 after 24 years with BHP and almost 18 years with Newcrest Mining Limited, during which time he was associated with a number of significant discoveries, including the Cadia ore bodies in Australia. After joining Newcrest Mining at its formation in 1990, he was Executive General Manager Exploration for Newcrest from the mid-1990s onwards, leading the Company's exploration team which was judged by the Metals Economics Group of Canada to have been the world's most successful gold explorer, 1992-2005. He was appointed an Officer of the Order of Australia in 2015, for distinguished service to the mining and resource industry, particularly mineral exploration through contribution as a geologist, academic and in executive roles.

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

RESOLUTION 5

APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO MANAGING DIRECTOR

The purpose of Resolution 5 is to approve the grant of 5,100,000 performance rights (**PR's**) to Mr Gooding, the Managing Director of Highlands under the Highlands Pacific Performance Rights Plan (**Plan**).

The number of PR's has been set upon the recommendation of the company's remuneration advisors, who have been engaged independently of management by the Board's Remuneration Committee. The PR's represent in total shares to the value of A\$315,000, as determined by the volume weighted average price of our shares for the 5 days ending 18 March 2016, the last practicable date which we could use to enable the performance rights to be valued and included in the Notice of Meeting.

The Board wants to ensure that the remuneration of Highlands' executives is in line with the market and that there is an effective incentive for the executives to improve Highlands' performance and the value of investments of the shareholders. The Board has sought independent external guidance in making its determination, both in the form of equity incentive and the quantum, in conjunction with the overall remuneration package offered to employees and the Managing Director.

As Mr Gooding is a Director of Highlands, and the Directors believe that the granting of these PR's to Mr Gooding under the Plan could be regarded as the giving of a financial benefit to a related party of the Company, shareholder approval is required under ASX Listing Rule 10.14 before any issue of securities, such as PR's, can be made.

Subject to approval by shareholders, the Board proposes that the PR's be issued to Mr Gooding under the Plan and on the terms detailed below. In the Board's view the performance hurdles, which must be satisfied before the PR's are exercisable, link the ultimate value of the PR's to the Total Shareholder Returns (TSR).

The PR's are granted in one tranche with a vesting period and associated performance condition having a three year time period.

In accordance with ASX Listing Rules 10.14 and 10.15, the following information is provided for shareholders:

Terms of the Issue

The terms and conditions are detailed below:

| | |
|------------------|------------------|
| Number of Rights | 5,100,000 |
| Exercise Price | Nil |

Vesting Conditions

The ability of the PR's to be automatically exercised is dependent on:

- (a) Mr Gooding meeting the Service Condition; and
- (b) Highlands Pacific meeting the March 2016 Performance Rights Offer Performance Conditions as set out below.

Service Condition

The Service Condition is that Mr Gooding must still be employed by a member of the Highlands Pacific Group on the Exercise Date (31 December 2018) for the PR's to vest.

Performance Conditions

In addition to the Service Condition the PR's will only vest once the Board advises that the March 2016 Performance Rights Offer Performance Conditions have been satisfied. The number of PR's available to vest subject to these conditions is set out in the following table.

| Performance Condition Description | Maximum Number of PR's subject to the Performance Condition |
|---|---|
| 1 HIG TSR matching a Peer Group as recommended by independent external consultants over the 3 calendar year period to the end of 2018 of 2,550,000 rising to 5,100,000 for top quartile performance for that period. | 5,100,000 |
| Total | 5,100,000 |

In any event the Board's decision is final in determining satisfactory performance of each performance condition. PR's that do not vest on the Vesting Date will lapse. There will be no retesting.

Highland Pacific Total Shareholder Return (TSR) vs Peer Group (Performance Condition 1)

The above Performance Condition will be measured by an independent third party over the Performance Period (1 January 2016 to 31 December 2018).

Other Conditions

Vested PR's will be automatically exercised on the Vesting Date. On exercise shares will be registered.

Participants are specifically prohibited from hedging their Highlands Pacific share price exposure in respect of their PR's during the Performance Period.

Additional Information

| No. of PR's | Estimated Value per PR | Total Value of PR's |
|------------------|------------------------|---------------------|
| 5,100,000 | AU\$0.0347 | AU\$176,970 |

The total value is based on the fair value of the entitlement, assuming Mr Gooding successfully completes the service period condition and, vesting conditions.

Valuation assumptions include:

- Stock volatility: 70%
- Risk Free Rate: 1.9%
- Dividend Yield: 0.0%
- Index volatility: 25%
- Correlation Highlands to Index: 0.20
- Expected Life: Grant date to 31 Dec 2018
- Highlands Share Price: AU\$0.060 (18th March 2016)

The benefit of the proposed PR's to be granted to Mr Gooding, subject to the passing of this resolution, will depend on the achievement of the vesting conditions consisting of continuous service and external performance conditions and Highlands' future share price. Assuming all conditions are met and estimating the future Highlands' share price, the dollar value of the benefit to Mr Gooding and the value compared to the growth in Highlands' market capitalisation with constant capital assumed would be as follows:

| Future Highlands Share Price | Total PR grant benefit (potential 100% vested) [A] | Growth in Market Capitalisation of Highlands* [B] | % of increase value [A] / [B] x 100% |
|------------------------------|--|---|--------------------------------------|
| AU\$0.10 | AU\$510,000 | AU\$37.1m | 1.37% |
| AU\$0.20 | AU\$1,020,000 | AU\$129.9m | 0.79% |
| AU\$0.40 | AU\$2,040,000 | AU\$315.4m | 0.65% |

* Based on a share price of AU\$0.060 (18th March 2016) and 927,777,086 shares on issue (18th March 2016) – assumed unchanged for this purpose.

Mr Gooding currently holds 6,800,215 shares and 9,450,000 PR's with details as follows:

| No. of PR's | | Exercise Price (AU\$) | Vesting Date | Expiry Date | Vested (Y/N) |
|-------------|--------------------------|-----------------------|--------------|-------------|--------------|
| 4,350,000 | Performance Hurdle based | Nil | 31 Dec 2016 | 31 Dec 2016 | N |
| 5,100,000 | Performance Hurdle based | Nil | 31 Dec 2017 | 31 Dec 2017 | N |

Identity of persons entitled to participate in the Plan

The Managing Director, Mr Gooding, is entitled to participate in the Plan; however any performance rights or securities issued to Mr Gooding will be subject to shareholder approval. No other Directors of the Company are entitled to participate in the Plan.

Maximum number of PR's that may be issued

The maximum number of PR's that may be acquired by Mr Gooding under this resolution is 5,100,000 and which if vested and exercised by Mr Gooding, will entitle him to acquire 5,100,000 shares.

Consideration of PR's

The PR's will be issued for nil consideration.

Use of funds raised

As the PR's have a nil exercise price there will be no funds raised on exercise.

Terms of any loan in relation to the acquisition

No loan will be provided by Highlands in relation to the grant or exercise of the PR's.

Issue Date

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

Effect of the proposal

If all of Mr Gooding's options and PR's are exercised, based on the current number of issued shares in Highlands, he would hold approximately 2.3% of the issued shares in Highlands.

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

Issue of options since last approval

No persons referred to in listing rule 10.14 have received securities under the Plan referred to in this resolution since the last approval (the General Meeting of 21 May 2015 – Resolution 5).

Voting exclusion

In accordance with Listing Rule 14.11, Highlands will disregard any votes cast by a Director of the entity, except one who is ineligible to participate in any employee incentive scheme in relation to the entity and an associate of that person (or those persons).

Directors recommendation

Each of the Directors (other than Mr Gooding) recommends the issue of the PR's to Mr Gooding for the reasons set out above and recommends that you vote in favour of this resolution. Mr Gooding makes no recommendation in view of his personal interest in the outcome. None of the Directors (other than Mr Gooding) have an interest in the outcome of the resolution.



Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

HIG

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Proxy Form

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For your vote to be effective it must be received by 10:00am (Port Moresby/Brisbane time) Wednesday 18 May 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing 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 percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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

the Chairman of the Meeting **OR**

PLEASE NOTE: 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, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Highlands Pacific Limited to be held at the **Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea on Thursday, 19 May 2016 at 10:00am (Port Moresby/Brisbane time)** and at any adjournment or postponement of that Meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | 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 – Dan Wood | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Approval of Auditors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 Approval of issue of performance rights to Managing Director | <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. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

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

Contact Name _____

Contact Daytime Telephone _____

Date / /