



9 May 2017

Dear Shareholders

Highlands Annual General Meeting and Special Meeting

On 18 May 2017, shareholders will vote to decide the composition of the Highlands Board at both the Annual General Meeting and subsequent Special Meeting. This is a very important choice, as it will determine the strategic direction of your Company.

We thank the many shareholders who have shown their support for the current Highlands Board and lodged proxies for the Special Meeting against the Board spill motion that has been proposed by Highlands' shareholder, PanAust Ltd. PanAust is controlled by GRAM, a Chinese State owned enterprise.

We also require the support of shareholders at the AGM, as existing Highlands directors will be standing for election (including two new directors). Even if you have already lodged your proxy in support of the Board for the Special Meeting, your vote at the AGM will still be critically important. Shareholders are urged to vote **IN FAVOUR** of all the director election resolutions at the AGM.

Your Board has taken active steps to improve the financial performance of Highlands in response to the challenging market conditions and to address feedback from shareholders. In 2016, the Company implemented a comprehensive corporate restructure to cut costs and preserve cash. In addition, Highlands has actively pursued a Board renewal program that has resulted in the appointment of a new Managing Director, Craig Lennon, the recent appointments of Ron Douglas (Chairman) and John Wylie (Non-Executive Director), and the retirement of three former directors.

Your Board has a clear strategy to protect and enhance the value of Highlands, including through exploring opportunities to realise value for Highlands' interest in the Frieda River project. Neither PanAust nor its nominees for the Board have articulated any alternative strategy or plan to create shareholder value.

To support the Board and its strategy, and to ensure that PanAust's nominees do not gain control of the Highlands Board, shareholders are encouraged to:

1. Vote **IN FAVOUR** of all the director election resolutions at the **Annual General Meeting**
2. Vote **AGAINST** all resolutions at the **Special Meeting**

Recently, you may have received communications from PanAust setting out its reasons for requisitioning the Special Meeting and attaching a proxy form that it completed. Please note that you do **NOT NEED TO TAKE ANY ACTION** in relation to the PanAust letter/proxy form and your directors recommend that you simply ignore it. Should you have any queries in relation to the allegations asserted by PanAust please contact +61 7 3239 7800 to speak with Highlands management.

A revitalised Highlands Board is absolutely focussed on maximising the value of the Company's assets, minimising operating costs and achieving the best results for all shareholders. We again urge you to vote **FOR** all the director election resolutions at the AGM and **AGAINST** all the PanAust proposed resolutions at the Special Meeting.

We would like to thank you for your ongoing support.

Yours sincerely
Ron Douglas (Chairman)