



18 May 2017

Highlands Pacific AGM Chairman's Address

Good morning ladies and gentlemen.

It's my pleasure to address you today as Chairman of Highlands Pacific.

Firstly, let me introduce myself.

I was pleased to join Highlands in February this year and was appointed Chairman in March following the retirement of our long serving Chairman, Ken MacDonald.

I started my career as an Engineer and have broad experience in Project Development. I currently hold an executive role accountable for Global Project Delivery for the Brisbane based Ausenco organisation and I have previously held Senior Executive roles with Newcrest Mining and Orica, and was the CEO of Solomons Gold.

WHY I JOINED HIGHLANDS

It is an honour to be leading the Board of Highlands which is a company with great potential and an exciting future. Let me elaborate:

- 1) The company has some excellent assets with enormous potential.
 - The Ramu project is a genuine success story in PNG, and is now operating at full rates of production and generating cash.
 - The Star Mountains exploration joint venture with Anglo American has tremendous potential. Major zones of mineralisation have already been identified and we are confident that with further work, we can prove up a major copper gold porphyry.
 - Frieda River remains one of the world's largest undeveloped copper projects, with a resource containing some 13 million tonnes of copper and 20 million ounces of gold. It is a truly world class deposit with potential to generate very significant returns when developed.

So these are all great assets, all in PNG which has an excellent mining jurisdiction and where Highlands has extensive operating experience. Together they provide a portfolio of interests in different commodities at various stages of development, generating substantial leverage to commodity prices that I believe can generate excellent returns for our shareholders.



- 2) A second reason I joined Highlands was because the company has a sound financial position. Management over recent years has been able to create a situation where the Company has retained significant exposure to these projects, while funding for project development has been provided by joint venture partners, rather than our own shareholders. That's clever, and it means that Highlands has not had to call on shareholders for additional capital through a rights issue or share purchase plan since 2007. While the cash balance of A\$12 million is modest, it provides a basis for future growth.
- 3) The third reason I joined was because the Board of Highlands had acknowledged that the Company needed to implement generational change, introduce new thinking and new vision to drive improved returns in the future. The Board had already started that process by the time I joined, and my appointment was indeed a part of that change. I want to grow this company and make it a great success, and that's what we intend to do.

EFFICIENCY MEASURES IMPLEMENTED

The former Chairman, Ken MacDonald had started the revitalising process in June of last year. Following a strategic review of the Company's assets and strategy, several initiatives were implemented to reduce the cost base and preserve cash resources. These included reducing executive staff numbers, scaling back head office and reducing corporate overheads. There was a short-term cost in making these changes, but they produced significant ongoing annual savings.

GENERATIONAL CHANGE FOR BOARD AND MANAGEMENT

The long serving CEO John Gooding chose to retire as part of that strategic review, enabling our dynamic chief financial officer, Craig Lennon, to step into the chief executive role from December. This transition was orderly and well planned.

Board renewal also formed part of the Company's revitalisation program, commencing with my appointment as a director in February. Mr MacDonald subsequently retired from the Board in March and I assumed the Chairman's position. In April, John Wylie, the chief executive of the PNG Sustainable Development Program, a major Highlands shareholder, was appointed to the Board replacing Mike Carroll. So we have seen three former directors step down and three new directors appointed in the period since December last year, creating a board with a mandate for change and a focus on growth.



ASSET REVIEW AND FUTURE STRATEGY

The strategic review also involved an assessment of our assets and future cashflow demands, and consequently, we decided that while the Frieda River project has the potential to generate major returns for shareholders over its 30 plus year life, it would require significant capital investments that would be challenging for Highlands. We therefore decided to commence a process to investigate the potential sale of our 20% interest in the Frieda River joint venture.

Encouraging responses have been received from the market and the process is continuing. If a sale transaction is concluded, Highlands will consider appropriate use of the proceeds, including dividends and capital returns, but also acquisition of a new mining project that has the potential to generate cashflows for the company within a reasonable time horizon.

So that is our plan and the process has been advancing in a careful, deliberate and considered way over the past few months as we put in place the building blocks for the future.

EXTRA-ORDINARY GENERAL MEETING

In February, however, as you would all be aware, one of our shareholders, GRAM/PanAust, requisitioned a Special Meeting of Shareholders, seeking to remove four of our five non-executive independent directors and replace them with three of its own nominees. Since the requisition was made, the changes I mentioned earlier have been made to the Board, and consequently, PanAust is now seeking the removal of three of the five current directors, and their replacement with three PanAust nominees. That would effectively give the PanAust nominees control of the Board. It is our view, that this would effectively give GRAM/PanAust control of Highlands without paying anything to Highlands shareholders.

To provide background:

GRAM/PanAust is the manager and controlling shareholder in the Frieda River project. It holds an 80% interest in the joint venture and Highlands holds 20%.

As part of the joint venture agreement, PanAust was required to fund all the costs of the project up to the time of lodgement of an application for a special mining lease, and this application needed to be supported by a bankable feasibility study.

In May last year, PanAust released a feasibility study into the project and subsequently lodged an application for a special mining lease in June last year. It is our view that the feasibility study was not completed in accordance with the terms of the joint venture agreement, also a determination of our agreed independent



reviewer, and therefore Highlands should not be required to fund development work on the project until the study has been properly finished.

Your directors made this clear to PanAust and have been steadfast in protecting the interests of Highlands' shareholders. This has resulted in a dispute between the joint venture partners, which is now the subject of mediation.

A special meeting is to be held immediately following the AGM here today, and these matters will be put before shareholders. All your current directors, including the two directors who are not subject to removal motions, urge you to vote against all the motions to go before the meeting to ensure the continued independence of the Company and to retain a Board of directors solely focused on protecting and furthering your interests.

Thank you ladies and gentlemen.

Forward-Looking Statements

This announcement includes certain “Forward-Looking Statements”. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast production performances, potential mineralisation, exploration results and future expansion plans and development objectives of Highlands Pacific Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.



ASX Code: HIG
PoMSox Code: HIG
Shares on Issue: 936 million
Performance Rights: 17 million

Directors

Ron Douglas, Chairman
 Craig Lennon, Managing Director
 Dan Wood
 Bart Philemon
 John Wylie

Management

Sylvie Moser, CFO & Co.Sec
 Larry Queen, Chief Geologist
 Peter Jolly, GM Projects
 Ron Gawi, GM Port Moresby
 Leslie Nand, GM Exploration Projects
 Joe Dowling, GM Investor Relations and Communications

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About Highlands Pacific Limited

Highlands Pacific is a PNG incorporated and registered mining and exploration company listed on the ASX and POMSoX exchanges. Its major assets are interests in the producing US\$2.1bn Ramu nickel cobalt mine and the Frieda River copper gold project; with exploration in progress in the Star Mountains. Highlands also has exploration tenements on Normanby Island (Sewa Bay).

Star Mountains Prospects*

The Star Mountains exploration tenements, which include Nong River EL1312, Mt Scorpion EL1781, Munbil EL2001 and Tifalmin EL1392, are located approximately 20km north of the Ok Tedi mine, in the West Sepik Province, PNG. They lie within the highly prospective New Guinean Orogenic Belt, which hosts the Grasberg, Ok Tedi, Porgera and Hidden Valley mines, as well as the Frieda deposit. The joint venture with partner Anglo American substantiates the world class potential and has enabled an extensive exploration program to be commence in 2015.

Ramu Nickel Cobalt Mine

The producing Ramu nickel cobalt mine is located 75km west of the provincial capital of Madang, PNG. Highlands 8.56% interest in Ramu will increase to 11.3% at no cost to Highlands after repayment of its share of the project debt. Highlands also has an option to acquire an additional 9.25% interest in Ramu at fair market value, which could increase the company's interest in the mine to 20.55%, if the option is exercised. The project's operator and majority owner is Hong Kong and Shanghai listed Metallurgical Corporation of China Limited (MCC).

Frieda River Copper/Gold Project*

The Frieda River copper gold project is located 175kms north-west of the Porgera gold mine and 75km north-east of the Ok Tedi mine. Highlands has a 20% interest in the project and Frieda River Limited (FRL) (a wholly owned subsidiary of PanAust Limited which in turn is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd.) holds 80%. FRL will be responsible for 100% of the costs incurred by the Frieda River Joint Venture to finalise the definitive feasibility study for FRL's development concept and fund the cost of an independent expert to be appointed by the joint venture to provide a peer review. FRL will also be responsible for 100% of the costs to maintain the Frieda River project site, assets and community relations programmes up to the point in time of lodgment of the Mining Lease or Special Mining Lease application with the requisite definitive feasibility study.

* Subject to the right of the Independent State of Papua New Guinea to acquire up to a 30% equity interest in any mining development in the country.