



Registered Office
PO Box 1486, Port Moresby NCD 121
Papua New Guinea
Level 1 Allotment 6, Section 58
Sir Hubert Murray Highway
Boroko NCD
Papua New Guinea

Telephone: (675) 323 5966
Facsimile: (675) 323 5990
Website: www.highlandspacific.com

Registered Office in Australia
GPO Box 3086, Brisbane QLD 4001
Australia
Level 4, 167 Eagle Street
Brisbane Qld 4000
Australia

Telephone: (617) **3239 7800**
Facsimile: (617) 3221 6727
Email: info@highlandspacific.com

BOARD CHARTER

ROLE OF THE BOARD

The Board's primary role is to protect and enhance long-term shareholder value. The Company is committed to the principles of sustainable development and believes in the responsible integration of economic, environmental and social considerations in all divisions affecting operations under its control within local, national and international environments.

The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law and all relevant policies of the Company.

BOARD RESPONSIBILITIES

The Board is responsible for the following matters:

- defining the Company's and Group's strategic direction;
- establishing goals for management and regularly reviewing management performance;
- reviewing the operational and financial performance of the Group's activities;
- establishing procedures to identify and manage areas of business risk;
- succession planning, including appointing of Managing Director.
- setting of remuneration policy which incorporates appropriate performance hurdles;
- ensuring shareholders are informed of all significant developments affecting the Company's state of affairs; and
- general corporate governance.

The Board has delegated to management the responsibility for implementing corporate strategies and managing the day-to-day operations of the Company in accordance with the guidelines set down by the Board.

BOARD COMPOSITION

The Board is to be constituted with a majority of independent non-executive directors including a chairman who is independent. The Board should comprise Directors with an appropriate range of skills, experience and qualifications to enable it to perform its role to a high standard.

BOARD SIZE

The Company's Articles (and Constitution) provide that the number of Directors from time to time shall be the number determined by the Directors being not less than 3, nor more than 9. The view of the Board is that 5 is the number appropriate to the Company at the present time and that of this number at least 4 should be non-executives.

It is the view of the Board that the role of the Chairman and the Managing Director should be separate.

DIRECTORS – ‘INDEPENDENT’

The Directors recognise all Directors must act in the best interests of the Company and its shareholders as a whole. For the purposes of the guidelines a Director is independent if he/she does not represent any major shareholder or group of shareholders; or a period of three years has elapsed since he/she held a management position with the Company; or has been an adviser or principal of a firm or company so retained. However, the Board does believe that the technical and financial support of major shareholders is essential to maximise the value of the Company.

DIRECTORS - SELECTION

The Board has delegated to the Nomination Committee the responsibility to review the Board's membership and to oversee the nomination of new Directors.

DIRECTORS - TERM

The Company's Constitution and the Australian Stock Exchange Listing Rules make provision in some respect as to terms of office. For example, a person appointed during the year must stand for re-election at the next shareholders' meeting (which may not necessarily be the next annual meeting) and there is provision for rotation whereby one-third (rounded up when not a whole number) of the Directors retire each year and no Director may be in office for more than three years without standing for re-election.

The Board members agree that the best interests of the Company are served by a policy that all Board members over 72 will submit themselves for re-election by shareholders and that, subject to maintaining the continuity of board experience, it is undesirable for any Director to serve more than 12 years.

A Managing Director who resigns or is removed as Managing Director ceases to be a director also. There is a provision contained in the Company's Constitution to this effect.

Prior to accepting additional outside public company directorships where there is a potential conflict of interest or positions having like responsibilities, Directors should discuss the matter with the Chairman. Discussion with the Chairman will also be necessary if outside interests are in conflict with Company interests or become a burden.

BOARD PERFORMANCE

The Directors consider that the performance of the Board as a whole and Directors individually in their stewardship on behalf of the Company and its stakeholders must be kept under review. Apart from any special need, this review is to be carried out regularly after Company performance for the financial year is finalised. The responsibility for reviewing the performance of the Board is with the Nomination Committee.

BOARD COMMITTEES

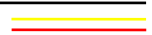
Apart from specially constituted committees for particular transactions or issues, the Board operates through for regularly constituted committees. The committees are as follows:

- **Audit Committee**

A more detailed charter of duties of the Audit Committee exists and is reviewed annually to ensure that it is appropriate to the circumstances. The Audit Committee will consist of at least three non-executive Directors. The Managing Director and the Chief Financial Officer may attend meetings of the Audit Committee when relevant or when requested to do so.

At least one meeting per year will be held with the outside auditor present but with Management absent.

The Audit Committee will consist of at least three Directors, the majority of which are independent including the Chairman.



- **Nomination Committee**

A more detailed charter of duties of the Nomination Committee exists and is reviewed annually to ensure that it is appropriate to the circumstances.

The Nomination Committee is responsible for review the Board's membership and oversees the nomination of new Directors and the performance of the Board as a whole.

The Nomination Committee will consist of at least three Directors with the majority being independent non-executives.

- **Remuneration Committee**

A more detailed charter of duties of the Remuneration Committee exists and is reviewed annually to ensure that it is appropriate to the circumstances.

The Remuneration Committee is responsible for recommending the Managing Director remuneration package and that of Non-Executive Directors as well as assessing the performance of management of the Company.

The Remuneration Committee will consist of at least three Directors with the majority being independent non-executives.

- **PNG Issues Committee**

Any two Directors may constitute such a committee for considering and reporting on issues which pertain to PNG, including but not limited to, the economy, cultural issues, socio-political issues, landowner issues, health issues and security issues.

In most cases, a Director who is PNG National will serve on this committee.

The Company Secretary is responsible for coordinating the activities of the above committees and ensuring that the required matters are brought to the attention of the respective committees in a timely manner. The activities and findings of each of the Committees will be reported to the Board at the earliest opportunity.

BOARD MEETINGS

A schedule of meeting dates will be prepared prior to the commencement of each calendar year. The schedule will take into consideration necessary variations from such date to cater for Board visits to Company Projects or operations.

BOARD PLANNING

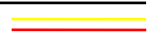
In planning Board activities regard shall be had to having a program of regular review of all Group activities and the risks inherent in them and mechanisms for dealing with such risks. In addition, reports to Directors, Management Reports contained in Board agendas, presentations to the Board, site visits, communications with management and well documented approval authorities and other formal procedures and systems are integral parts of the Board's policies and systems to identify risks to the Group and the activities and to enable the Board to review the effectiveness and efficiency of operations and the safeguarding of company assets. Directors are entitled to access to any and all records of the Company.

These procedures together with the functions carried out and reported by the Audit Committee also contribute to the mechanisms that report on the reliability of financial reporting and quality of disclosure and compliance with applicable laws and regulations.

BOARD VISITS

Knowledge of Group Projects and operations is an important role of the Board. It is important that the Board visit on a regular basis the main operations and facilities of the Company. Visits to Group Projects and operations will be planned as part of setting the annual Board program.

From time to time Directors with special skills and experience will be required to individually visit sites and/or engage in discussions internally or externally in the overall interests of the Company.



BOARD AGENDA

An agenda will be set in advance for each meeting by the Managing Director in consultation with the Chairman and the Company Secretary taking into consideration any items suggested by other Directors. Agenda papers and presentations will be concise and reviewed in advance by the Managing Director. All Board Papers are to be distributed sufficiently in advance of any meeting to enable proper consideration.

BOARD MINUTES

Minutes of each Board meeting will be prepared promptly after each meeting and drafts submitted to the Chairman and Managing Director for review prior to being submitted to the next Board meeting for confirmation.

BOARD PAPERS

The Company Secretary maintains a complete set of Board papers at the Company's Brisbane office. Directors are to return Board papers to the Company Secretary, destroy annotations and notes once the minutes to which they relate have been approved and/or tabled at the following Board meeting, unless there is existing, potential or anticipated litigation that the annotations or Directors' notes may be relevant to, in which case these documents must be retained.

COMPANY SECRETARY

The Company Secretary will be the Secretary of the Board. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows between the members of the Board and the Board Committees, and between senior management and Non-Executive Directors, as well as facilitating the induction of new Directors and assisting with each Director's professional development, as required. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for monitoring Board Policy and ensuring procedures are followed. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

MANAGEMENT

It is important that a majority of the Board at any time be independent non-executive Directors. At the present time the Managing Director is the only executive Director. However, senior management may be invited to participate in Board meetings as an "as needs". Involvement of senior management in Board meetings will assist the Board with additional insight into agenda items being discussed because of personal involvement and assists the Directors in their assessment of the ability and future potential of senior management. It should be recognised however by such senior managers that there will be times when because of Board deliberations they must be excluded from discussions.

SUCCESSION PLANNING

The Managing Director will report annually to the Board on succession planning within the Group. It is the responsibility of the Board in consultation with the Managing Director to have available on a continuing basis a recommendation of a successor should he/she be unexpectedly disabled.

ACCESS TO SENIOR MANAGEMENT AND RECORDS

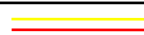
It is appropriate that Directors have full access to the Company's management and to information that is available. Directors have the right to inspect corporate books and records at all times. Requests in the first instance should be channelled through the Managing Director.

Any information provided in writing on request should also be copied to the Managing Director.

In the first instance, all requests for consultation with Staff and Company records by non-executive directors should be through the Managing Director. However, if cooperation is not forthcoming, all directors can access personnel and records through the Company Secretary.

PROTECTION DEEDS

Each Director is entitled to a Directors' Access, Indemnity and Insurance Deed which shall include provisions relating to access to Board papers, confidentiality, indemnity by the Company and the provision of Directors' and Officers' insurance.



PROFESSIONAL ADVICE

In furthering their duties as Directors, there may be occasions when the Board as a whole or Directors as a group request accounting, legal or tax advice at the Company's expense. Requests for the provision of such advice should be directed to the Chairman.

MEDIA RELEASES

As a general rule it is desirable that discussions on Group activities and Group involvements be carried out by specified persons. Media releases and statements should be made by either the Managing Director or the nominated representative of Management.

Significant ASX/media releases should be made by the Chairman or Managing Director, or a nominee of the Managing Director, after comment from the Board. Lesser release can be dealt with directly by the Managing Director/Chairman.