



20 May, 2010

Highlands Pacific 2010 AGM Chairman's Address

Ladies and Gentlemen

I would like to thank our shareholders for their ongoing support and interest and for your attendance at the AGM today. Last year I said that Highlands Pacific had a share price we were not comfortable with, though we had been treated well by the market on a relative basis. Although the markets generally, and securities in Highlands Pacific in particular, remain volatile, your share price has improved substantially in the last 12 months. Your board believes there is more potential yet to be won.

The landscape has changed substantially in the last 12 months. Equity markets have recovered and the world economy as a whole is in a substantial growth phase, though Japan and the U.S. are still slow and Europe will continue for some time in my estimation to have problems. There is great fragility and nervousness. It has been most recently demonstrated with the Greek bond crisis and it would be brave indeed to assume that some other events in the next 12 months won't arise which will test the confidence of markets around the world.

The probabilities remain nevertheless that there is sufficient strength for any such adverse events to be ultimately resisted. In the world as it is, commodity prices have become strong again and none more so than the three principal commodities to which Highlands Pacific is leveraged, namely nickel, copper and gold. Reputable medium term predictions for the prices of these commodities are not indicating an outlook of any substantial softening going forward. Our most immediate exposure is of course to the nickel price, with the Ramu development in its final phases of completion. We are hopeful that the commissioning work that needs to be done will be completed this year. I note that we are still not in a position to give you reliable guidance on precisely where we expect it to be in terms of when we nominate to join equity participation in the Ramu project nor as to the near-term financial outcomes we expect upon nomination. We are working assiduously with our Chinese partners to be in a position to do so as soon as possible.

One set back has been the injunction proceedings which have temporarily prevented construction of the deep sea tailings placement system. Our Chinese partner Metallurgical Corporation of China and PNG Government representatives, who are the parties to this action (note that Highlands Pacific is not) continue to express to us confidence that these proceedings will not ultimately damage the Project and will not be a material cause of delay in finalising commissioning, but of course until injunctions are actually removed there is a risk we can't entirely rule out. It is important to note that the Papua New Guinea Government has made their position clear that they will do what it takes to ensure that the approvals granted will stick and that the Ramu project will proceed and I congratulate the Papua New Guinea Government for their clear expression of commitment.

Later in the morning our Managing Director John Gooding will spend some time to explain to you the Deep Sea Tailing Placement process and why we at Highlands Pacific have always been confident that there is no legitimate cause for concern on the part of people in the region.

I will leave it to John to explain the material and the very positive developments in the past 12 months at Frieda River where Xstrata have moved into the pre-feasibility stage and where further work continues to improve the prospects and value of this project. Last year, as I recorded, the market had given no recognition to the potential value we had at Frieda River. This year it is Highlands' share in the project, which has recently risen to 18.18%, that will contribute substantially to growing value for shareholders.



We have in the past year continued to look for opportunities to grow the critical mass of the company via potential mergers or acquisitions. In my view in this industry there are too many smaller companies with too many inefficiencies and too many different directions and so at a conceptual level I believe mergers are important. We have looked at a number of possible alternatives but have not been able to consummate any on terms that we thought delivered fair value to you, our shareholders. We will remain alert but we will remain disciplined.

Perhaps the most exciting new development in the last 12 months has been our decision to sole risk an exploration programme on the Star Mountain tenements. The tenements' relative proximity to the OK Tedi Mine, which is scheduled to exhaust its current open-pit reserve in 2013, may solve infrastructure problems in a way that maximises the value to you of any resources we are fortunate enough to discover and work done by Kennecott in the 1970s also gives us reason for optimism for our exploration programme.

This is an appropriate place to record the Board's appreciation of the efforts of our management team and especially that of our Managing Director, John Gooding. It is your Board's role as your representatives to appoint, monitor and mentor the managers who run this company on a day to day basis. I can assure you that the management team you employed to run your company are working hard to do you proud and that in our Managing Director you have someone whose skills, experience, industry knowledge and commitment, taken together, are I believe unmatched for companies like us.

At the end of the year longstanding director Ian Burvill resigned. I would like to record the Board's appreciation of his contribution over a number of years, which was invaluable. At the close of this meeting, as previously announced we will be saying good-bye to Rod Mitchell, who has given almost 10 years of dedicated service to Highlands. On behalf of fellow Board members, and all shareholders, I extend our thanks, to you, Rod, for your thoughtful, insightful, steady and committed involvement in all of the Board's deliberations.

I hope you take the opportunity to ask any questions you may have, whether in the formal sessions or informally afterwards. We are here to report to you and to respond to your areas of interest.

I trust you find the rest of the meeting valuable.



ASX Code: HIG

PoMSox Code: HIG

Shares on Issue: 665 million

Options on Issue: 35 million

Market Capitalisation **A\$176m**

Cash on Hand (31/03/10) **A\$24m**

Directors

Ken MacDonald, *Chairman*

John Gooding, *Managing Director*

Mike Carroll

Rod Mitchell

Drew Simonsen

Fiu Williame-Igara

Management

Craig Lennon, *CFO & Co.Sec*

Larry Queen, *Chief Geologist*

Terry Smith, *GM Mining & BD*

Peter Jolly, *GM Projects*

For further information, please contact:

John Gooding or Craig Lennon

Highlands Pacific - 07 3239 7800

Media Enquiries to:

Simon Jemison

Collins St Media - 03 9224 5319

Investor Enquiries to:

David Waterhouse

Waterhouse IR - 03 9670 5008

Website:

www.highlandspacific.com

About Highlands Pacific Limited

Highlands Pacific is listed on the ASX and PoMSox exchanges. Its major development assets include the US\$1.4bn Ramu nickel cobalt project, the Frieda River copper gold project and exploration on the highly prospective Nong River and Tifalmin licenses approximately 20km north of Ok Tedi. Highlands also holds exploration ground in the Wau/Bulolo close to the new Hidden Valley and Wafi gold projects and has cash reserves of A\$24 million with no debt.

Frieda Copper/Gold Project

The Frieda copper project is one of the world's largest undeveloped copper/gold resources. Frieda River is 170 kms NW of the giant Porgera gold mine. The project owners are Xstrata (81.82%) and Highlands (18.18%). Highlands has a free-carried interest through to completion of a bankable feasibility study (required by Jan 2012). Xstrata's spend for Frieda in 2009 was US\$38m and in 2010 will be US\$77.5m. A extended scoping study released in early 2009 indicated a 40Mtpa plant with a 27 year mine life averaging 160,000 tpa of copper metal and 240,000 ozpa of gold (with higher output in the first 10 years). The pre-feasibility study due in the third quarter of 2010 is currently considering larger throughput and production options. Subject to the project continuing to meet its project hurdles, a 12-month feasibility study would commence in 3Q 2010 with possible construction in 2012 and production in 2017.

Ramu Nickel Cobalt Project

The Ramu nickel project is located 75 km west of the provincial capital of Madang, PNG and will produce an annual output of 31,150 tonnes of nickel and 3,300 tonnes of cobalt contained in high grade concentrate over a 20 year mine life. The mineral resources at Ramu have the potential to increase the mine life by a further 15-20 years. Highlands 8.56% interest in the Ramu will increase to 11.3% at no cost after repayment of the project debt (estimated to be 8 years). From commissioning, Highlands has access to its pro-rata 8.56% share of Ramu's post-debt servicing net cash flow. Highlands also has an option to acquire an additional 9.25% at fair market value which could increase its interest to 20.55%. Progressive commissioning commenced late in the December quarter 2009 and is expected to continue through to June quarter 2010. Production is expected to commence after that with a staged ramp up through the December quarter 2010 and in 2011.