



Dear Shareholders,

You are being asked by PanAust Ltd, a wholly-owned subsidiary of the Chinese government owned Guangdong Rising Assets Management Co Ltd (**GRAM**), to vote on a proposal to remove four of your five Independent Non-Executive Directors and replace them with three of its own nominees.

This would effectively give nominees of GRAM, which owns just 14% of Highlands, control of the Highlands' Board.

This is a very important choice, as it will determine the future of your Company, and I urge you to consider all the accompanying materials carefully.

All directors, including the one Independent Non-Executive Director and Managing Director whom GRAM has not sought to remove, unanimously recommend that you vote against GRAM's proposed resolutions:

- 1. Your Board has a clear strategy to protect and enhance the value of Highlands.** Your Board has implemented a cost reduction program and commenced a Board renewal process with the appointment of a new Chairman. Your Board is familiar with doing business in PNG and has deep relationships with project participants, Government and other stakeholders.
- 2. You are not receiving any payment or premium for a change of control.** The Board spill would constitute a change of control of the Company, without any payment or premium for control being paid to our shareholders. If GRAM wants control, it should make a takeover offer and pay a full price to shareholders.
- 3. A Board controlled by GRAM nominees is not in your interests.** There is a clear danger that a GRAM dominated board would act to further GRAM's agenda in relation to Frieda River, rather than act in your interests. Neither Gram nor its nominees have explained how they would deliver additional value to you, as shareholders.
- 4. An independent Highlands Board will act for ALL shareholders.** Highlands is currently in a dispute with GRAM/PanAust regarding the proposed development of the Frieda River project and funding of project development costs. If GRAM's nominees were to win control of the Highlands' Board, then there would be a significant risk that Highlands would accept the GRAM position and start making cash contributions or elect to dilute its interest with the consequential value loss.

We are absolutely focused on protecting your interests, maximising the value of our assets and achieving the best results for you. We urge you to vote against all the GRAM proposed resolutions.

If you have any questions in relation to the special meeting, please contact Highlands Pacific on +61 7 3239 7800.

We would like to thank you for your ongoing support.

Yours sincerely

Ken MacDonald (Chairman) and Ron Douglas (Chairman elect)

HIG

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

Lodge your vote:



Online:

www.investorvote.com.au



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
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For all enquiries call:

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

Proxy Form

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Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

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



 **For your vote to be effective it must be received by 11:00am (Port Moresby/Brisbane time) 17 May 2017**

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 for Postal Forms

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 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.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

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.



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IND

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 Special Meeting of Highlands Pacific Limited to be held at **Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea on Thursday, 18 May 2017 at 11:00am (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.

IMPORTANT NOTE:

All Resolutions have been proposed by PanAust SPV2 Pte Ltd a wholly owned subsidiary of the Chinese state owned Guangdong Rising Assets Management Co. Ltd under section 102(1)(b) of the Companies Act 1997 (PNG). The Resolutions have NOT been endorsed by and are NOT supported by the Directors.

DIRECTORS' RECOMMENDATION

The Directors recommend you vote against all resolutions as follows

Against For Abstain



		Against	For	Abstain
1	Removal of Mr Ken MacDonald as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Removal of Mr Michael Carroll as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Removal of Mr Dan Wood as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Removal of Mr Ron Douglas as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Removal of additional Director/s	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Appointment of Mr Andrew Daley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Appointment of Mr John Taylor as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Appointment of Mr Bruce Paterson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies against 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

H I G

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Computershare +

HIGHLANDS PACIFIC LIMITED

(ARBN 078 118 653)

NOTICE OF SPECIAL MEETING

**Directors unanimously recommend
Shareholders vote
AGAINST
all resolutions at this
Special Meeting**

Thursday 18 MAY 2017 at 11.00AM (AEST) at GRAND PAPUA HOTEL, MARY STREET
PORT MORESBY, PAPUA NEW GUINEA

Highlands Pacific Limited ("the Company") hereby gives notice that at the request of PanAust SPV2 Pte Ltd (PanAust) a wholly owned subsidiary of the Chinese government owned Guandong Rising Asset Management Co Ltd ("GRAM") a Special Meeting of Shareholders will be held on Thursday 18 MAY 2017 at 11.00AM (AEST) at GRAND PAPUA HOTEL, MARY STREET, PORT MORESBY, PAPUA NEW GUINEA ("Meeting").

TO BE VALID, ALL PROXY FORMS FOR USE AT THIS SPECIAL MEETING MUST BE COMPLETED AND RECEIVED NO LATER THAN 11.00AM (AEST) ON 17 MAY 2017

IMPORTANT INFORMATION FOR SHAREHOLDERS

Notice is hereby given at the request of PanAust SPV2 Pte Ltd, (GRAM) that a Special Meeting of shareholders of Highlands Pacific Limited will be held at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea.

The issues that will be before you at the Meeting are extremely important and have significant implications for the future of the Company.

**DIRECTORS RECOMMEND VOTING AGAINST ALL
OF THE MOTIONS BEFORE THE MEETING**

If you are unable to attend the meeting, you are encouraged to complete and return the enclosed proxy form by 11.00am (AEST) on Tuesday 16 May 2017.

BUSINESS

Item 1 – Removal of Directors

Resolution 1 – Removal of Mr Ken MacDonald as a Director

"That, pursuant to regulation 10.5 of the Company's Constitution and section 134(1) of the Companies Act, and for all other purposes, Mr Kenneth Duncan MacDonald be removed as a Director (and Chairman) of the Company with effect from the conclusion of the meeting."

Resolution 2 – Removal of Mr Michael Carroll as a Director

"That, pursuant to regulation 10.5 of the Company's Constitution and section 134(1) of the Companies Act, and for all other purposes, Mr Michael Geoffrey Carroll be removed as a Director of the Company with effect from the conclusion of the meeting."

Resolution 3 – Removal of Mr Dan Wood as a Director

"That, pursuant to regulation 10.5 of the Company's Constitution and section 134(1) of the Companies Act, and for all other purposes, Mr Dan Wood be removed as a Director of the Company with effect from the conclusion of the meeting."

Resolution 4 – Removal of Mr Ron Douglas as a Director

"That, pursuant to regulation 10.5 of the Company's Constitution and section 134(1) of the Companies Act, and for all other purposes, Mr Ron Douglas be removed as a Director of the Company with effect from the conclusion of the meeting."

Resolution 5 – Removal of additional Director/s

"That pursuant to regulation 10.5 of the Company's Constitution and section 134(1) of the Companies Act, and for all other purposes, any person appointed as a Director of the Company on and from 14 February 2017 until the commencement of the Special Meeting held pursuant to the requisition issued by PanAust SPV2 Pte Ltd be removed as a Director of the Company with effect from the conclusion of the meeting."

Item 2 - Appointment of Directors

Resolution 6 – Appointment of Mr Andrew Daley as a Director

"That, pursuant to regulation 10.2 of the Company's Constitution and section 131(2) of the Companies Act, and for all other purposes, Mr Andrew Edward Daley, having been nominated in accordance with regulation 10.7 of the Company's Constitution and being eligible to act, be appointed as a Director (and Chairman) of the Company with effect from the conclusion of the meeting."

Resolution 7 – Appointment of Mr John Taylor as a Director

"That, pursuant to regulation 10.2 of the Company's Constitution and section 131(2) of the Companies Act, and for all other purposes, Mr John Charles Taylor, having been nominated in accordance with regulation 10.7 of the Company's Constitution and being eligible to act, be appointed as a Director of the Company with effect from the conclusion of the meeting."

Resolution 8 – Appointment of Mr Bruce Paterson as a Director

"That, pursuant to regulation 10.2 of the Company's Constitution and section 131(2) of the Companies Act, and for all other purposes, Mr Bruce Paterson, having been nominated in accordance with regulation 10.7 of the Company's Constitution and being eligible to act, be appointed as a Director of the Company with effect from the conclusion of the meeting."

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, 16th May 2017. 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).

Any Proxy Form received after the relevant time noted above will not be valid for the Meeting.

IMPORTANT NOTE:

DIRECTORS RECOMMEND VOTING AGAINST ALL RESOLUTIONS

Should you have any queries please feel free to contact Craig Lennon on 32397800.

INCORPORATION OF EXPLANATORY MEMORANDUM

The Explanatory Memorandum to Shareholders attached to this Notice of Special Meeting, is hereby incorporated into and forms part of this Notice of Special Meeting.

By Order of the Board



S MOSER
COMPANY SECRETARY
7 MARCH 2017

EXPLANATORY MEMORANDUM TO NOTICE OF SPECIAL MEETING 18 MAY 2017

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the Special Meeting for the purposes set out in the accompanying Notice of Meeting. This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice of Meeting. Any information contained in this Explanatory Memorandum is current as at 6 March 2017.

The full details of the resolutions to be considered at the Meeting are set out below. All references to Shareholders in these materials are to Shareholders of record of ordinary shares.

All resolutions are ordinary resolutions. This means that, to be passed, the resolution needs the approval of a simple majority of votes cast by Shareholders entitled to vote on the resolution.

MEETING BUSINESS

This special meeting has been requisitioned by PanAust SPV2 Pte Ltd, a shareholder with at least 5% of the voting shares in Highlands, pursuant to regulation 6.2(b) and 6.13(a) of the Constitution and section 102(1)(b) of the Companies Act 1997 (PNG), for the purposes of considering resolutions to:

1. remove each of Mr Ken MacDonald, Mr Michael Carroll, Mr Dan Wood, Mr Ron Douglas and any additional Director appointed to the Board between 14 February 2017 and the date of the special meeting; and
2. appoint each of Mr Andrew Daley, Mr John Taylor and Mr Bruce Paterson as Directors of the Company,

(together, “Resolutions”).

PanAust SPV2 Pte Ltd is a special purpose vehicle and wholly owned subsidiary of PanAust Limited (“PanAust”). PanAust is a wholly owned subsidiary of the Chinese government owned Guangdong Rising Assets Management Co Ltd (“GRAM”) and Highlands’ 80% joint venture partner in the Frieda River project and also the manager. In this Explanatory Memorandum, except where the context otherwise requires, the terms GRAM and PanAust are used interchangeably.

Your Directors, including the two Directors GRAM has not sought to remove, unanimously recommend that shareholders vote **AGAINST** GRAM’s proposed Resolutions, for the reasons set out in this Explanatory Memorandum.

Question	Answer
Who requisitioned this Special Meeting?	<p>PanAust SPV2 Pte Ltd, a shareholder with at least 5% of the voting shares in Highlands, and a wholly owned subsidiary of PanAust Limited.</p> <p>PanAust is a wholly owned subsidiary of Guangdong Rising Assets Management Co Ltd, Highlands' 80% joint venture partner in the Frieda River project and also the manager.</p> <p>GRAM is owned by Guangdong Provincial State Asset Administration (SASAC) and is therefore a Chinese state owned enterprise.</p>
Is GRAM making an offer for my shares?	<p>No.</p> <p>GRAM is not making any offer to acquire your shares and if you vote in favour of the resolutions you will not receive any payments or consideration whatsoever from GRAM.</p>
Does the potential board spill represent a change of control?	<p>Yes.</p> <p>If successful, the board spill will result in GRAM nominees constituting the majority of the Board. Although GRAM owns only around 14% of Highlands, this would result in a change of control of the Highlands' Board and hence the Company and its assets.</p>
Will I receive a premium for a change of control (if any)?	<p>No.</p> <p>GRAM is attempting to take control of your Company without paying you a premium. No consideration will be paid by GRAM.</p>
How would GRAM and its nominees improve the performance of Highlands?	<p>Neither GRAM nor its nominees have explained how the nominee directors would manage Highlands differently, how they would improve the performance of Highlands or how they would deliver additional value to Highlands shareholders.</p>
What is the recommendation of the independent directors?	<p>All directors, including the directors whom GRAM has not sought to remove as yet, recommend that you vote against GRAM's proposed Resolutions.</p>
What will happen if the Resolutions are not successful?	<p>The existing Board will continue to direct the Company by pursuing its strategy and maximising value for all shareholders.</p> <p>Your Board has already commenced a process of board renewal and had appointed a new Independent Chairman before receiving GRAM's requisitioning notice.</p>
What are the benefits of the Board being independent?	<p>An independent Board (where a majority of Directors have not been nominated by one shareholder) will act in the interests of ALL shareholders, and is critical to maximising shareholder value.</p> <p>An independent Highlands will continue to hold GRAM to account as manager of the Frieda River project.</p>

All directors recommend that you vote against GRAM's proposed Resolutions

- 1. Your Board has a clear strategy to protect and enhance the value of Highlands**
- 2. You are not receiving any payment or premium for a change of control**
- 3. A Board controlled by GRAM nominees is not in your interests**
- 4. An independent Highlands Board will act for ALL shareholders**

1. Your Board has a clear strategy to protect and enhance the value of Highlands

Your Board has taken active steps to protect and enhance the value of Highlands and has a clear strategy going forward, including by:

- maximising the value of all assets whether through continued development or exploring opportunities to crystallise value;
- implementing its cost reduction program which is expected to generate annual savings of c.A\$1.75 million;
- completing a renewal of the Board following the Company's 2016 strategic review;
- considering future investments in income producing assets; and
- creating efficient financing structures including introduction of joint venture partners to fund exploration and project development.

On 30 June 2016, Highlands announced that it had completed a strategic review and had concluded that it was necessary to make substantial changes to the Company's cost base. The salaries of all directors and senior executives were reduced by 20% and performance incentives were significantly reduced. These cost reductions will generate annual savings of c.A\$1.75 million.

Highlands reviewed the structure of its Board and management team for size as well as mix of skills and experience. The Company announced that Mr John Gooding (former Managing Director), together with three other executives, would leave the Company. Mr Craig Lennon was appointed Managing Director. Subsequently, the Company announced the appointment of Mr Ron Douglas who will replace Mr Ken MacDonald as Chairman as scheduled at a Board Meeting towards the end of March 2017 and it is intended that the other longest serving director, Mr Mike Carroll, Chairman of the Audit Committee, will be replaced by an appropriate director in the first half of this year.

With over 30 years' experience in the mining industry including managing the execution of large capital projects, Mr Douglas is especially well equipped to lead the Company going forward.

As part of the Board renewal process, Highlands made contact with PanAust in August 2016 to invite PanAust to put forward appropriate nominees for consideration as potential directors. PanAust and GRAM ignored that opportunity.

The current Board has extensive networks and vast experience in base metals exploration, project development and mining. Your Board is familiar with doing business in PNG and has deep relationships with project participants, Government and other stakeholders.

Should your Board remain in place, it will continue to pursue the strategy and programs set out above and continue to act in the interests of **ALL** shareholders.

2. You are not receiving any payment or premium for a change of control

As GRAM nominees would represent a majority of the Board of directors, GRAM's proposed Board spill would constitute a change of control of the Company, without any payment (including any premium for control) being made to shareholders. While GRAM owns only around 14% of Highlands, its nominee directors would collectively control the Board of Highlands, which would allow them to control the Company.

If GRAM wants control of Highlands, it should make a takeover offer and pay a full price with a premium for control. The likelihood of GRAM making a takeover offer would be reduced if the Resolutions were approved.

3. A Board controlled by GRAM nominees is not in your interests

GRAM is not motivated to maximise value for Highlands' shareholders

GRAM is a Chinese state owned enterprise and thus does not have any external shareholders to consider. GRAM's strategic and financial interest in the Frieda River Project is far more significant than its relatively modest equity interest in Highlands. Frieda River is one of the world's largest undeveloped copper projects and is of strategic importance to GRAM and China.

In these circumstances, there is a real risk of a material divergence between GRAM's strategic objectives in relation to the Frieda River Project and the interests of Highlands and its 7,310 shareholders. GRAM may be motivated to advance its interests in the project even if this conflicts with the interests of Highlands and its shareholders. This would inevitably place any GRAM nominee director in a fundamentally compromised position.

If GRAM's proposed Board spill was effective, its nominees would constitute a majority of the Board. Your directors believe that shareholders should have real concerns in relation to the independence of the GRAM nominee directors and their ability to impartially represent the interests of all shareholders. Mr Andrew Daley, whom GRAM is proposing be appointed as Chairman, was a director of PanAust from 2004-2012.

No alternative plan to create shareholder value has been outlined

Neither GRAM nor its nominees have explained how the nominee directors would manage Highlands, nor how they would deliver additional value to shareholders.

It is not clear what GRAM and its nominees intend to do if they gain control of the Company. A GRAM controlled Highlands might consider Highlands' valuable Star Mountains and Ramu Nickel interests as peripheral assets, and divert resources (both financial and otherwise) to Frieda River only.

4. An independent Highlands will act for ALL shareholders

Optimisation of Frieda River

The Highlands Board is strongly committed to maximising the value of Highlands' 20% interest in the Frieda River project. This represents a major asset of the Company.

Each Board member is well aware of his duties as a director, and on behalf of both Highlands shareholders and PNG stakeholders generally is committed to ensuring that Highlands' resources are properly devoted to viable development options for Frieda River.

When PanAust announced it acquired its interest in Frieda River from Glencore/Xstrata in late 2013 it was an independent listed company. Highlands actively supported PanAust's participation in the Frieda River

project, specifically as PanAust proposed a technically feasible, lower cost and higher returning development plan. In 2013, PanAust said it planned a "mid-sized development that utilises existing logistical routes and minimises infrastructure requirements, resulting in a competitive capital intensity and manageable risk profile."

In 2015, PanAust was acquired by the Chinese government owned GRAM. As a Chinese state-owned enterprise, GRAM may have investment objectives that are not focussed on value maximisation and the achievement of commercial rates of returns.

In 2016, in contrast to the previous independent PanAust position, the GRAM controlled PanAust released the "Frieda River Project Feasibility Study", which outlined a new development plan with total development costs (pre-production and post production) of nearly US\$5 billion. The development plan involves material technical risk associated with the proposed construction of a very large integrated tailings and hydro power dam in the seismically active Frieda River area. Highlands has disagreed with GRAM's approach and has argued that the 'feasibility study' is deficient, and that a smaller, lower risk project could be more easily funded and provide better risk adjusted returns.

GRAM's motivations for wishing to pursue a large scale, sub-optimal project are not clear to Highlands and in the opinion of the Board do not reflect a focus on shareholder value.

Exercise of joint venture rights

Highlands does not consider the 'feasibility study' to be complete. Given the current status of the study, it is the position of Highlands' Board that the Company is not required to commence making contributions towards the costs of the joint venture. Since July 2016, the Company has saved over US\$3 million and maintained its 20% interest as a result of holding GRAM to account for its failure to deliver a complete 'feasibility study' and by asserting its rights under the joint venture.

GRAM disputes Highlands' position.

Highlands has sought on a number of occasions to engage with GRAM/PanAust to resolve these disputes, has sought compromises and has offered to work through mediation. PanAust has refused.

If GRAM were to win control of the Highlands Board, then there would be a significant risk that Highlands would cease to exercise its rights against GRAM. In turn, this could result in Highlands' premature commencement of contributions of funds to the joint venture, or the dilution of Highlands' valuable interest in the project.

An independent Highlands (where the Board is not controlled by the nominees of one shareholder) will continue to advocate a Frieda River project development plan that demonstrates compelling economics and that will deliver value to both GRAM and Highlands shareholders. Your Board will ensure that Highlands only makes contributions towards joint venture costs once required to do so under the joint venture agreement.

Maximisation of shareholder value

The current Board is committed to exploring all options to ensure that the value of Highlands' stake in the Frieda River Project is recognised and maximised.

Consistent with this, Highlands initiated a process in December 2016 to explore options to maximise the value of its 20% interest in the Frieda River Project, including a potential sale. Highlands has engaged Cutfield Freeman & Co to assist in this process. The process remains at an early stage but progress has been positive. No decision has been made to sell Highlands' interest and Highlands will continue to work towards a development path for the Frieda River Project that maximises value for Highlands shareholders and other Frieda River stakeholders.

As Highlands' joint venture partner, GRAM was notified of the sale process at an early stage. GRAM has pre-emptive rights in respect of any sale of Highlands' 20% interest in the Frieda River Project. In the

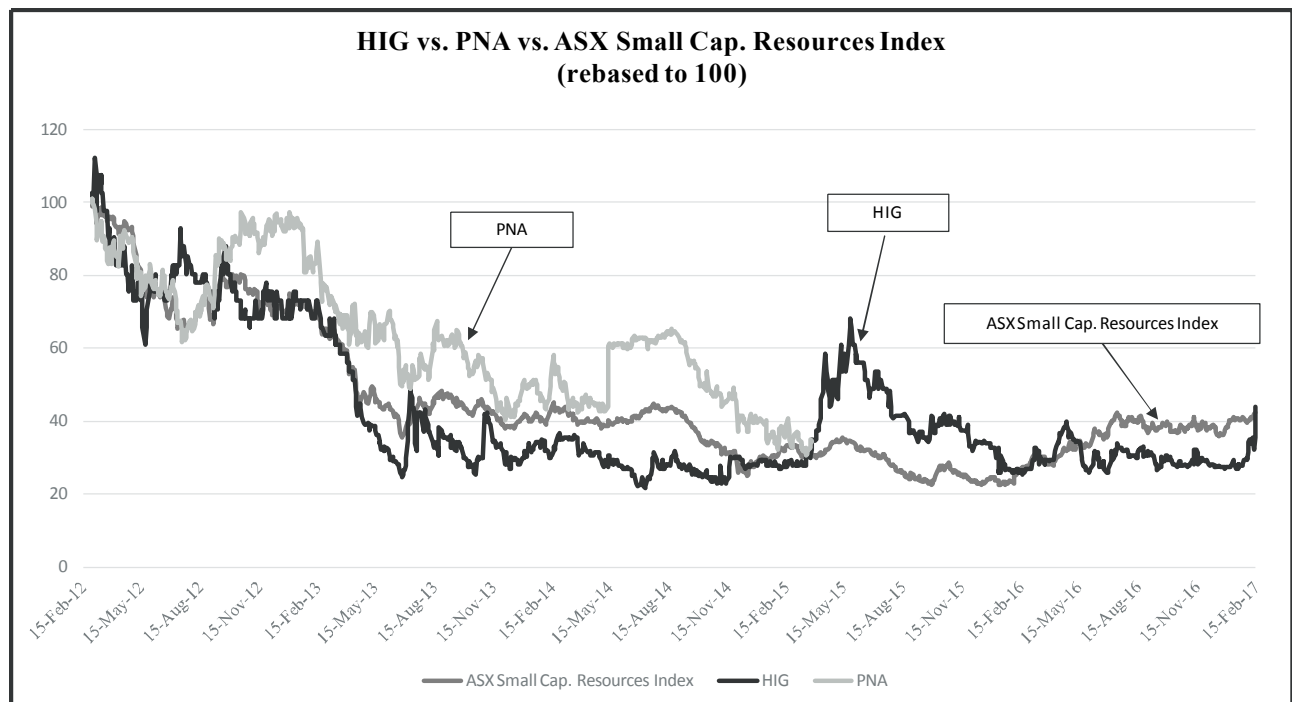
context of the sale process and GRAM's potential interest in exercising its pre-emptive rights, GRAM nominees on the Highlands Board would be profoundly conflicted.

An independent Highlands (where the majority of the Board comprises independent directors not affiliated with any shareholder) is critical to maximising the value of Highlands' interest in Frieda River, whether through continued development of the Frieda River Project or by pursuing a transaction involving Highlands' stake in the project.

Highlands' recent performance

GRAM has asserted that Highlands' share price and earnings performance are evidence that your Board's performance has been inadequate. These assertions are completely baseless.

While your Board shares your disappointment with Highlands' share price performance in recent years, depressed commodity prices (particularly for copper and nickel) are likely to have been a major contributor to this performance. The majority of junior mining companies, and particularly those with unfunded development projects, have seen similar share price performance. In fact, the PanAust share price fell by approximately 50% between 2012 and announcement of its potential acquisition by GRAM. Highlands has performed in line with the ASX Small Cap. Resources Index over the past five years as shown below.



Source: IRESS

In addition, it is likely that Highlands' recent share price performance has reflected market disappointment with the prospects for the Frieda River Project. GRAM has been responsible for the management of the Frieda development plan. Its failure to deliver the originally proposed mid-scale development plan has undermined market confidence in the project, and in turn affected the Highlands share price. In this context it is ironic that GRAM seeks to criticise the Highlands Board and suggest that GRAM nominees would be better equipped to take control of Highlands.

GRAM has also criticised Highlands financial performance, including in relation to the reported loss of US\$68 million for the year ended 31 December 2015 and staff payments of US\$4.15 million for the year to 31 December 2016.

As GRAM would be well aware, the major contributor to the 2015 loss was a US\$74 million impairment of the carrying value of Highlands' 8.56% interest in the Ramu Nickel project, as a result of ongoing reductions in nickel prices. This was a non-cash expense and beyond the control of Highlands and its Board. The Ramu Nickel impairment is potentially fully reversible in the event of a sustained recovery in nickel prices. GRAM and PanAust would be familiar with and understand the nature of such non-cash impairment expenses, given that PanAust incurred similar impairment expenses of US\$51 million in 2013 and US\$265 million in 2014.

During the 2016 financial year, your Board responded to the ongoing challenging circumstances by making further cost savings. This resulted in one-off costs (through paying out contract entitlements and other termination arrangements) of A\$1 million (contributing to the reported staff payments for 2016 of US\$4.15 million), but on a full year basis will further reduce operating costs by approximately A\$1.75 million per annum. Highlands' budgeted operating costs for 2017 are around US\$2.7 million.

Resolutions 1 to 5 – Removal of Current Directors and additional Director/s

The Requisitioning Shareholders have nominated the following Directors be removed at the Meeting:

- Mr Ken MacDonald (Chairman)
- Mr Michael Carroll
- Mr Dan Wood
- Mr Ron Douglas; and
- Any person appointed as a Director of the Company on and from 14 February 2017, until commencement of Special Meeting.

Each of the Directors is highly credentialed, with extensive in-country PNG experience, significant involvement with the Company's business and a thorough understanding of the issues facing Highlands and its projects. Information on the experience and capabilities of each of the Directors the subject of resolutions 1 to 4 is included below.

On 7 February 2017, Highlands announced that Mr Ken MacDonald intends to retire from the Board of Highlands in March 2017. If as contemplated, Mr MacDonald retires before the date of the Special Meeting on 18 May 2017, the Chairman of the Special Meeting will withdraw Resolution 1 as it will have no practical effect.

Resolution 1 – Removal of Mr Ken MacDonald

Mr MacDonald - Independent Non-Executive Chairman

Mr MacDonald has over 40 years' experience in corporate law, with particular emphasis on the energy and natural resources sector as a partner with Allens Arthur Robinson and its predecessors where he headed the firm's Energy, Resources and Infrastructure Department and had responsibility for its Port Moresby office. He has long experience as a listed company director. In addition to his present role with Highlands Pacific, Mr MacDonald is a Director and Deputy Chancellor of Bond University Limited. He is also Chairman of the Queensland Business Leaders Hall of Fame Governing Committee. Mr MacDonald is Chairman of the Board's Nomination and Remuneration Committee.

Recommendation:

The Directors (with Mr MacDonald abstaining) unanimously recommend that Shareholders vote against Mr MacDonald's removal.

The Chairman of the meeting intends to vote all undirected proxies against Resolution 1.

Resolution 2 – Removal Mr Michael Carroll

Mr Carroll - Independent Non-Executive Director

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 until recently was 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. Mr Carroll is Chairman of the Board's Audit Committee and a member of the Remuneration Committee and Nomination Committee.

Recommendation:

The Directors (with Mr Carroll abstaining) unanimously recommend that Shareholders vote against Mr Carroll's removal.

The Chairman of the meeting intends to vote all undirected proxies against Resolution 2.

Resolution 3 – Removal Mr Dan Wood AO

Mr Wood - Independent Non-Executive Director

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.

Recommendation:

The Directors (with Mr Wood abstaining) unanimously recommend that Shareholders vote against Mr Wood's removal.

The Chairman of the meeting intends to vote all undirected proxies against Resolution 3.

Resolution 4 – Removal Mr Ron Douglas

Mr Douglas - Independent Non-Executive Director and Non-Executive Chairman elect

Mr Douglas is an engineer by training and has more than 30 years' experience in senior management in the mining industry. This includes five years as Executive General Manager Projects and Studies at Newcrest Mining (during which time he was involved in the development of Hidden Valley, Lihir Expansion and the Wafi/Golpu development in Papua New Guinea), and three years as Global Head of Projects and Technology at Orica. He also is former CEO of Australian Solomons Gold, and former Managing Director for Anglesey Aluminium Metal Ltd (Rio Tinto). Ron is currently employed as Executive Vice President Global Project Delivery at Ausenco, based in Brisbane.

Recommendation:

The Directors (with Mr Douglas abstaining) unanimously recommend that Shareholders vote against Mr Douglas' removal.

The Chairman of the meeting intends to vote all undirected proxies against Resolution 4.

Resolution 5 – Removal of additional Director(s)

Recommendation:

The Directors unanimously recommend that Shareholders vote against Resolution 5 (if applicable).

The Chairman of the meeting intends to vote all undirected proxies against Resolution 5.

Resolutions 6 to 8 – Appointment of Directors Nominated by the Requisitioning Shareholder

The Requisitioning Shareholders have nominated the following persons to be appointed as Directors:

- Mr Andrew Edward Daley
- Mr John Charles Taylor
- Mr Bruce Paterson

The Directors note that, the passing of the resolutions proposed by the Requisitioning Shareholder would result in the majority of the Board being composed of the nominees of one shareholder (which only owns around 14% of Highlands), raising concerns around directors' independence and the representation of the interests of all shareholders.

Neither GRAM nor its nominees have explained how the nominee directors would manage Highlands differently, nor how they would deliver additional value to Highlands shareholders.

Recommendation:

The Directors unanimously recommend that Shareholders vote against the appointment of Messrs Daley, Taylor and Paterson.

The Chairman of the meeting intends to vote all undirected proxies against Resolutions 6 - 8.

ANNEXURE – MEMBERS’ STATEMENT FOR REQUISITIONED MEETING

PanAust SPV2 Pte Ltd has provided a statement pursuant to regulation 6.13(e) of the Constitution which they have requested the Company provide to all Shareholders (**“Members’ Statement”**)¹. In accordance with its obligations, the Company has attached a copy of the Members’ Statement. The Company is not responsible for the content of the Members’ Statement (including whether such statement is in compliance with all applicable law) and the Members’ Statement does not form part of this Notice of Meeting.

¹ The questioning notice stated that the shareholding of PanAust SPV2 Pte Ltd was 13.89%. It was in fact 13.77% as at 14 February 2017

Request to distribute statement to shareholders

14 February 2017

To Highlands Pacific Limited ARBN 078 118 653 (Company)
Level 1 Allotment 6, Section 58
Sir Hubert Murray Highway
Boroko Papua New Guinea 121

PanAust SPV2 Pte Ltd (together, **PanAust**) is the registered holder of 128,865,980 fully paid ordinary shares in the Company, representing approximately 13.89% of the votes that may be cast at a general meeting of the Company.

In accordance with regulations 6.2(b) and 6.13(a) of the Company's Constitution and section 102(1)(b) of the *Companies Act 1997* (PNG), PanAust has requested that the Company call and arrange to hold a special meeting of the Company (**Special Meeting**).

Pursuant to regulation 6.13(e) of the Company's Constitution, PanAust hereby requests that the Company include in, or give with, the notice of meeting to be sent by the Company to shareholders in connection with the Special Meeting, the **attached** statement of no more than 1,000 words.

Also **attached** is a brief statement of the relevant education, skills and experience of each proposed new Director for inclusion in the notice of Special Meeting.

EXECUTED by PANAUST SPV2 PTE LTD by authority of its directors:



Signature of director

Dr. Fred Hess
Managing Director

Name of director (block letters)



Signature of director/company secretary* *delete whichever is not applicable

PAUL MARTIN SCARR

Name of director/company secretary* (block letters) *delete whichever is not applicable

Member's Statement – PanAust SPV2 Pte Ltd

Highlands Pacific Limited (ARBN 078 118 653) (Company)

PanAust SPV2 Pte Ltd (**PanAust**) of 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315, the Company's largest shareholders (holding 128,865,980 fully paid ordinary shares, or approximately 13.89% of the Company's issued capital) has requested that the directors of the Company convene a special meeting of the Company (**Special Meeting**) for the purposes of considering resolutions to:

- (a) remove each of Mr Ken MacDonald, Mr Michael Carroll, Mr Dan Wood, Mr Ron Douglas and any additional Directors appointed to the Board between 14 February 2017 and the commencement of the Special Meeting as Directors of the Company; and
- (b) appoint each of Mr Andrew Daley, Mr John Taylor and Mr Bruce Paterson as Directors of the Company.

The reasons for seeking the removal of Mr MacDonald, Mr Carroll, Mr Wood and Mr Douglas as Directors and to appoint Mr Andrew Daley, Mr John Taylor and Mr Bruce Paterson in their place are set out below.

PanAust notes that there is an ongoing dispute between the Company and PanAust Limited (as joint venture parties) in relation to the Frieda River project.

However, the proposal to reinvigorate the Board is unrelated to any such dispute and PanAust is seeking to have independent directors appointed to the Board who have no involvement in the Frieda River joint venture (and who, being independent of PanAust, will not act at the direction of, nor report to, PanAust) and who PanAust believes will, if appointed, act in the best interests of the Company at all times.

Shareholders are encouraged to consider the information provided in this statement and VOTE IN FAVOUR of the resolutions to be considered at the Special Meeting.

Reasons for seeking the removal of Mr MacDonald, Mr Carroll, Mr Wood and Mr Douglas

PanAust considers that a change to the composition of the Board is required in order to drive a new strategy and direction for the Company and had previously put forward a proposal for the existing Directors (other than Mr Bart Philemon and Mr Craig Lennon) to step down and to transition management of the Company to a new, independent board.

It is PanAust's view that the current Board and management have not applied themselves diligently to the pursuit of increasing shareholder value. On the contrary, value has decreased significantly under their stewardship.

The share price of the Company has more than halved over the last 5 years, with low liquidity levels in the stock.

The Company has been slow to implement austerity measures as a result of a low commodity environment with excessive salaries being paid to executives. As noted in the recent Quarterly Activities Report for the period ended 31 December 2016, Highlands incurred \$4.15 million in staff costs for a Company with a total cash balance of \$14.5 million. This cash expenditure is concerning given the previous loss for the 12 months ended 31 December 2015 of US\$68 million which included payment of short term incentives to management and no cash inflow from the Ramu Nickel Project.

It is proposed that a new Chairman will oversee the strategic reinvigoration of the Company and focus immediately on a pathway towards value improvement, consistent and commensurate with its funding and asset base.

Notwithstanding the above, PanAust considers there is merit in Mr Craig Lennon continuing on as Managing Director to ensure a smooth transition to the new, independent board and also in Mr Bart Philemon continuing on as a Director, given his extensive PNG country expertise.

Reasons for seeking the removal of any additional Directors

The purpose of seeking to remove any additional Directors appointed to the Board between 14 February 2017 and the commencement of the Special Meeting is to counteract any defensive action that may be taken by the Board in response to the Requisition Notice given by PanAust (by appointing one or more additional Directors prior to the date of the Special Meeting) and to ensure that the proposed new independent directors are able to effectively implement the strategic reinvigoration of the Company.

Reasons for seeking the appointment of Mr Andrew Daley, Mr John Taylor and Mr Bruce Paterson

PanAust considers that a change in the composition of the board is required in order to drive a new strategy and direction for the Company and has identified candidates for a new independent Chairman and two other independent Directors whom PanAust believes have the relevant blend of skills, knowledge, corporate governance expertise and experience to lead the Company into the future.

In particular:

- Mr Andrew Daley, the proposed new independent Chairman, has significant mining company experience, having held various non-executive positions with a number of listed companies. Mr Daley was a non-executive director of PanAust from July 2004 to May 2012. His directorship with PanAust finished nearly 5 years ago and importantly prior to PanAust deciding to invest in the Frieda River Project and becoming a shareholder of Highlands.

Mr Daley is the current non-executive chairman of Metalicity Ltd. Mr Daley has experience in navigating the social, political and economic landscape in PNG, having been previously involved in the landmark Porgera Gold Mine.

- Mr John Taylor has intimate knowledge of the resources sector and substantial international business experience, including through his current non-executive directorship of Heemskirk Consolidated Ltd and a number of previous non-executive positions.

Mr Taylor has an engineering background and experience in the negotiation and management of large contracts for the design and construction of complex industrial plants in the resources, utilities and environmental protection industries.

- Mr Paterson has extensive commercial, legal and public company director experience in the mineral resources, energy and innovation technology sectors in both Australia and internationally (including PNG) spanning over 30 years, including as the former non-executive chairman of Dart Mining NL and as a senior employee of Newcrest Mining Limited.

Mr Paterson also has specific insight in the formulation and implementation of effective corporate governance, risk and response management strategies.

Director Biographies

Highlands Pacific Limited (ARBN 078 118 653) (Company)

Mr Andrew Daley

B.Sc. (Hons, Mining Eng.); Grad. Dip (Min. Econ.)

Mr Daley is a Chartered Engineer (UK), a Fellow of the Aus.IMM and a Member of IOM3. Mr Daley commenced his career on the Zambian Copperbelt with Anglo American and subsequently worked with Rio Tinto and Conoco Minerals in Africa, before relocating to Australia with Fluor Australia in early 1981. Since late 1983, Mr Daley has primarily worked in the resource finance sector, initially with National Australia Bank, then with Chase Manhattan and as a director of Barclays Capital mining team in London and Sydney. Returning to Australia in early 2003, Mr Daley has provided financial and corporate advisory consultancy services to the global resources industry.

Mr Daley is Chairman of Metalicity Ltd an ASX listed resources exploration company based in Perth and is a former director of a number of ASX listed resources companies, including KGL Resources Ltd, PanAust Ltd, Uranex NL, Minerva Resources Ltd, Dragon Mining Ltd, Gladstone Pacific Nickel Ltd and Oxiana Resources Ltd.

Mr John Taylor

B.Eng (Chemical); MBA

Mr Taylor is an engineer and fellow of Institution of Chemical Engineers (London) with intimate knowledge of the Australian engineering and construction industries and the resources sector. Mr Taylor commenced his career at BP Refineries (Kwinana) Pty Ltd as a process engineer. Mr Taylor was the Managing Director of Lurgi (Australia) Pty Ltd, an engineering contractor from 1993 to 2001 and was the Managing Director of Outotec Australasia Pty Ltd from 2001 to 2010.

Mr Taylor is a non-executive director of Heemskirk Consolidated Ltd and a former director of a number of companies including the following listed companies: KGL Resources, Ticor Ltd, Ausmelt Ltd and Environmental Group Ltd.

Mr Bruce Paterson

LLB

Mr Paterson has extensive commercial, legal, public company director and company secretarial experience relating primarily to ASX listed companies. Mr Paterson commenced his career with Newcrest Mining Limited and occupied a number of roles including Commercial Manager – International and Company Secretary and Assistant Business Manager from 1980 to 1996. Mr Paterson was a special counsel at Herbert Geer lawyers between 2006 and 2014. Mr Paterson is a former Chairman of Dart Mining NL, an ASX listed mineral exploration company, and has held a number of non-executive directorships of ASX listed companies.

Mr Paterson provides commercial consultancy, director and company secretariat services through his services company.