



## **HIGHLANDS PACIFIC LIMITED**

(ARBN 078 118 763)

# **NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY MEMORANDUM AND PROXY FORM**

A NOTICE OF ANNUAL GENERAL MEETING TO BE HELD AT  
10.00AM ON 21 MAY 2015  
AT  
GRAND PAPUA HOTEL, MARY STREET  
PORT MORESBY, PAPUA NEW GUINEA  
IS  
INCLUDED IN THIS DOCUMENT.

TO BE VALID, ALL PROXY FORMS FOR USE AT THIS ANNUAL GENERAL MEETING MUST BE  
COMPLETED AND RETURNED NO LATER THAN 10AM (AEST) ON 20 MAY 2015



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of shareholders of Highlands Pacific Limited will be held at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea on Thursday, 21<sup>st</sup> May 2015 at 10:00am.

## A G E N D A

### **BUSINESS**

#### **1. To receive accounts and reports**

To receive and consider the accounts (including the statement of financial position and statement of comprehensive income) for the year ended 31 December 2014, together with the reports of the Directors and the Auditors thereon and, if thought fit, pass the following resolution:

"That the accounts (including the statement of financial position and statement of comprehensive income) for the year ended 31 December 2014 are hereby adopted".

#### **2. Election of Director – Ken MacDonald**

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

"That Mr Ken MacDonald, retiring in accordance with Regulation 10.3(b) of the Company's Constitution and being eligible, is elected as a Director of the Company".

#### **3. Election of Director – Bart Philemon**

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

"That Mr Bart Philemon, retiring in accordance with Regulation 10.3(b) of the Company's Constitution and being eligible, is elected as a Director of the Company".

#### **4. Approval of Auditors**

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

"That Messrs PricewaterhouseCoopers be appointed as Auditors of the Company".



# NOTICE OF ANNUAL GENERAL MEETING

## 5. Approval of issue of performance rights to Managing Director

To consider and, if thought fit, to pass, with or without amendment, the following ordinary resolution:

"That, in accordance with ASX Listing Rule 10.14, the issue of 5,100,000 to Mr John Gooding, Managing Director of the Company, under the Highlands Pacific Performance Rights Plan in accordance with the terms described in the Explanatory Memorandum is approved."

### NOTES

The Company will, in accordance with ASX Listing Rule 14.11 of the Listing Rules, disregard any votes cast in respect of this resolution by a Director of the entity – except one who is ineligible to participate in any employee incentive scheme in relation to the entity; and an associate of that person (or those persons).

However, the Company will not disregard any votes on the resolution if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a directions on the proxy form to vote as the proxy decides.

## 6. Ratification of Private Placement of Shares

To consider and if thought fit to pass with or without amendment, the following ordinary resolution:

"That, for the purpose of ASX Listing Rule 7.4, shareholders ratify the allotment and issue of a total of 64,432,990 ordinary fully paid shares to PanAust Limited on 2 September 2014, in accordance with the terms described in the Explanatory Memorandum."

### NOTES

The Company will, in accordance with ASX Listing Rule 14.11 of the Listing Rules, disregard any votes cast in respect of this resolution by PanAust Limited and any associates of PanAust Limited.

However, the Company will not disregard any votes on the resolution if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a directions on the proxy form to vote as the proxy decides.



# NOTICE OF ANNUAL GENERAL MEETING

## 7. Increase in share capacity under Listing Rule 7.1A

To consider and if thought fit, to pass, with or without amendment, the following special resolution:

"That, for the purpose of ASX Listing Rule 7.1A, and for all other purposes, the issue of equity securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum be approved."

*Resolution 7 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by shareholders entitled to vote on Resolution 7 must be in favour of the resolution.*

## NOTES

The Company will, in accordance with ASX Listing Rule 14.11 of the Listing Rules, disregard any votes cast in respect of this resolution by a person (and any such associates of such a person) who may participate in the 10% placement facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of securities, if this Resolution is passed. At this point in time, there is no potential allottee to who securities may be issued under this resolution.

However, the Company will not disregard any votes on the resolution if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a directions on the proxy form to vote as the proxy decides.

# NOTICE OF ANNUAL GENERAL 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, 19<sup>th</sup> May 2015. 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).

Should you have any queries please feel free to contact me.

## INCORPORATION OF EXPLANATORY MEMORANDUM

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

By Order of the Board



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**C.T. LENNON**  
**COMPANY SECRETARY**

17 April 2015

## **INTRODUCTION**

The purpose of this Explanatory Memorandum is to provide shareholders with information to assist them in assessing the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of Highlands Pacific Limited (**Highlands**).

**The Board recommends that shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.**

## **RESOLUTION 2**

### **ELECTION OF DIRECTOR – KEN MACDONALD**

Mr MacDonald was original appointed as Director on 1 February 2008 and most recently re-elected on 16 May 2013. He now retires from his position as Director in accordance with the retiring-by-rotation provisions of Regulation 10.3(b) of the Company's Constitution.

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 has 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 a Deputy Chancellor of Bond University Limited, and recently retired after over 20 years as the Deputy as the Deputy Chairman of QIC. Other previous directorships include Rivercity Motorway Group (2006-2011), MIM Holdings Limited (1997-2003), Consolidated Rutile Limited (1984-1996), Cudgen limited (1988-1997) and Omega Oil NL (to 1991). Other offices that Ken has held include Queensland Resources Industry Ambassador, National President of the Australian Mining and Petroleum Law Association Limited, Chairman of the Coal Law Committee of the International Bar Association and Member of the Australian Institute of Company Directors' Queensland Advisory Panel.

**The Board recommends the re-election of Mr MacDonald as a Director.**

## **RESOLUTION 3**

### **ELECTION OF DIRECTOR – BART PHILEMON**

Mr Philemon was originally appointed a Director on 21 September 2012 and was most recently re-elected on 16 May 2013. He now retires from his position as Director in accordance with Regulation 10.3(b) of the Company's Constitution.

Mr Philemon brings to the Board extensive experience in government affairs and economic development issues at the national and pacific regional levels having served with great distinction as member for the Lae Open seat from 1992 until 2012. Mr Philemon is currently a Director of the Bank of Papua New Guinea since August 2013 and a Director of Oil Search Limited since November 2012, and has, among many appointments, been Chairman of Air Niugini, and has held a number of Ministerial posts in PNG Governments including Minister of Foreign Affairs and Minister for Finance and Treasury.

**The Board recommends the re-election of Mr Philemon as a Director.**

## RESOLUTION 5

### APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO MANAGING DIRECTOR

The purpose of Resolution 5 is to approve the grant of 5,100,000 performance rights (**PR's**) to Mr Gooding, the Managing Director of Highlands under the Highlands Pacific Performance Rights Plan (**Plan**).

The number of PR's has been set upon the recommendation of the company's remuneration advisors, who have been engaged independently of management by the Board's Remuneration Committee. The PR's represent in total shares to the value of A\$315,000, as determined by the volume weighted average price of our shares for the 5 days ending 19 March 2015, the last practicable date which we could use to enable all details to be valued and included in the Notice of Meeting.

The Board wants to ensure that the remuneration of Highlands' executives is in line with the market and that there is an effective incentive for the executives to improve Highlands' performance and the value of investments of the shareholders. The Board has sought independent external guidance in making its determination, both in the form of equity incentive and the quantum, in conjunction with the overall remuneration package offered to employees and the Managing Director.

As Mr Gooding is a Director of Highlands, and the Directors believe that the granting of these PR's to Mr Gooding under the Plan could be regarded as the giving of a financial benefit to a related party of the Company, shareholder approval is required under ASX Listing Rule 10.14 before any issue of securities, such as PR's, can be made.

Subject to approval by shareholders, the Board proposes that the PR's be issued to Mr Gooding under the Plan and on the terms detailed below. In the Board's view the performance hurdle, which must be satisfied before the PR's are exercisable, link the ultimate value of the PR's to the Total Shareholder Returns (TSR).

The PR's are granted in one tranche only with a vesting period and associated performance condition having a three year time period.

In accordance with ASX Listing Rules 10.14 and 10.15, the following information is provided for shareholders:

#### Terms of the Issue

The terms and conditions are detailed below:

Number of Rights	<b>5,100,000</b>
Exercise Price	<b>Nil</b>

#### Vesting Conditions

The ability of the PR's to be automatically exercised is dependent on:

- (a) Mr Gooding meeting the Service Condition; and
- (b) Highlands Pacific meeting the March 2015 Performance Rights Offer Performance Conditions as set out below.

#### Service Condition

The Service Condition is that Mr Gooding must still be employed by a member of the Highlands Pacific Group on the Exercise Date (31 December 2017) for the PR's to vest.

### Performance Conditions

In addition to the Service Condition the PR's will only vest once the Board advises that the March 2015 Performance Rights Offer Performance Conditions have been satisfied. The number of PR's available to vest subject to these conditions is set out in the following table.

Performance Condition Description	Maximum Number of PR's subject to the Performance Condition
<b>1</b> HIG TSR matching a Peer Group as recommended by independent external consultants over the 3 calendar year period to the end of 2017 of 2,550,000 rising to 5,100,000 for top quartile performance for that period.	<b>5,100,000</b>
<b>Total</b>	<b>5,100,000</b>

In any event the Board's decision is final in determining satisfactory performance of each performance condition. PR's that do not vest on the Vesting Date will lapse. There will be no retesting.

### Highland Pacific Total Shareholder Return (TSR) vs Peer Group (Performance Condition 1)

The above Performance Condition will be measured by an independent third party over the Performance Period (1 January 2015 to 31 December 2017).

### Other Conditions

Vested PR's will be automatically exercised on the Vesting Date. On exercise shares will be registered.

Participants are specifically prohibited from hedging their Highlands Pacific share price exposure in respect of their PR's during the Performance Period.

### Additional Information

Performance Condition	No. of PR's	Estimated Value per PR	Total Value of PR's
<b>1</b>	<b>5,100,000</b>	<b>AU\$0.0527</b>	<b>AU\$268,770</b>

The total value is based on the fair value of the entitlement, assuming Mr Gooding successfully completes the service period condition and, vesting conditions.



Valuation assumptions include:

- Stock volatility: 65%
- Risk Free Rate: 1.8%
- Dividend Yield: 0.0%
- Index volatility: 30%
- Correlation Highlands to Index: 0.20
- Expected Life: Grant date to 31 Dec 2017
- Highlands Share Price: AU\$0.064 (19<sup>th</sup> March 2015)

The benefit of the proposed PR's to be granted to Mr Gooding, subject to the passing of this resolution, will depend on the achievement of the vesting conditions consisting of continuous service and external performance conditions and Highlands' future share price. Assuming all conditions are met and estimating the future Highlands' share price, the dollar value of the benefit to Mr Gooding and the value compared to the growth in Highlands' market capitalisation with constant capital assumed would be as follows:

Future Highlands Share Price	Total PR grant benefit (potential 100% vested) [A]	Growth in Market Capitalisation of Highlands* [B]	% of increase value [A] / [B] x 100%
AU\$0.10	AU\$510,000	AU\$33.1m	1.54%
AU\$0.20	AU\$1,020,000	AU\$125.2m	0.81%
AU\$0.40	AU\$2,040,000	AU\$309.3m	0.66%

\* Based on a share price of AU\$0.064 (19<sup>th</sup> March 2015) and 920,577,086 shares on issue (19<sup>th</sup> March 2015) – assumed unchanged for this purpose.

Mr Gooding currently holds 4,230,215 shares and 6,950,000 PR's with details as follows:

No. of PR's		Exercise Price (AU\$)	Vesting Date	Expiry Date	Vested (Y/N)
2,600,000	Performance Hurdle based	Nil	31 Dec 2015	31 Dec 2015	N
4,350,000	Performance Hurdle based	Nil	31 Dec 2016	31 Dec 2016	N

## **Identity of persons entitled to participate in the Plan**

The Managing Director, Mr Gooding, is entitled to participate in the Plan; however any performance rights or securities issued to Mr Gooding will be subject to further shareholder approval. No other Directors of the Company are entitled to participate in the Plan.

## **Maximum number of PR's that may be issued**

The maximum number of PR's that may be acquired by Mr Gooding under this resolution is 5,100,000 and which if vested and exercised by Mr Gooding, will entitle him to acquire 5,100,000 shares.

## **Consideration of PR's**

The PR's will be issued for nil consideration.

## **Use of funds raised**

As the PR's have a nil exercise price there will be no funds raised on exercise.

## **Terms of any loan in relation to the acquisition**

No loan will be provided by Highlands in relation to the grant or exercise of the PR's.

## **Issue Date**

The PR's, if approved, will be issued by the Company to Mr Gooding within three months of shareholders approval.

## **Effect of the proposal**

If all of Mr Gooding's options and PR's are exercised, based on the current number of issued shares in Highlands, he would hold approximately 1.7% of the issued shares in Highlands.

Shareholders should note that if Mr Gooding exercises all of his options and PR's, it will have a small diluting effect on existing shareholders' interest.

## **Issue of options since last approval**

No persons referred to in listing rule 10.14 have received securities under the Plan referred to in this resolution since the last approval (the General Meeting of 22 May 2014 – Resolution 6).

## **Voting exclusion**

In accordance with Listing Rule 14.11, Highlands will disregard any votes cast by a Director of the entity – except one who is ineligible to participate in any employee incentive scheme in relation to the entity and an associate of that person (or those persons).

## **Directors recommendation**

**Each of the Directors (other than Mr Gooding) recommends the issue of the PR's to Mr Gooding for the reasons set out above and recommends that you vote in favour of this resolution. Mr Gooding makes no recommendation in view of his personal interest in the outcome. None of the Directors (other than Mr Gooding) have an interest in the outcome of the resolution.**

## **RESOLUTION 6**

### **RATIFICATION OF PRIVATE PLACEMENT OF SHARES**

On 2 September 2014, Highlands Pacific raised AU\$5 million by way of a share placement of 64,432,990 ordinary fully paid shares to PanAust Limited at an issue price of AU7.76 cents. This represented 7.54% of the issued securities of the Company at the time of the issue and gave PanAust Limited a 14.00% interest in the Company post the share placement. The shares issued ranked equally in all respects from the date of allotment with existing shares on issue.

The funds raised from the share placement are to be used for general working capital requirements for the Company, including the maintenance of exploration licenses.

ASX Listing Rule 7.1 provides that a listed company may not in any 12 month period issue more than 15% of the total number of issued securities unless the shareholders otherwise approve. The Share Placement was undertaken within the above rule.

The purpose of resolution 7 is to approve the share placement in accordance with ASX Listing Rule 7.4 and 7.5, so that for the purpose of ASX Listing Rule 7.1, the number of securities issued in the last 12 months without shareholder approval returns to zero.

**The Board recommends the ratification of the private placement of shares to PanAust Limited on 2 September 2014.**

## **RESOLUTION 7**

### **INCREASE IN SHARE ISSUE CAPACITY UNDER LISTING RULE 7.1A**

ASX Listing Rule 7.1A enables small to mid-cap listed companies to seek shareholder approval by special resolution to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue by way of placements over a 12 month period (10% Placement Facility). This is in addition to the existing 15% placement capacity permitted by Listing Rule 7.1.

Resolution 7 is seeking approval of shareholders by special resolution for the issue of such number of equity securities as calculated under the formula in ASX Listing Rule 7.1A.2, at an issue price as permitted by ASX Listing Rule 7.1A.3 to such persons as the Board may determine and on the terms described in this Explanatory Memorandum.

A company is eligible to seek shareholder approval for this additional placement capacity if it satisfies both of the following criteria at the date of the AGM:

- a) It has a market capitalisation of AU\$300 million or less; and
- b) Is not included in the S&P/ASX 300 Index.

The Company currently satisfies both the above criteria, and it is anticipated that it will satisfy both these criteria at the date of the AGM as well.

The number of shares which may be issued or the Company may agree to issue, under the approval sought by resolution 7 is calculated in accordance with the following formula as set out in ASX Listing Rule 7.1A.2:

**(A X D) – E**

Where:

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the Company's 15% placement capacity without shareholder approval;
- (iv) less the number of fully paid shares cancelled in the 12 months.

*Note that A has the same meaning in ASX Listing Rule 7.1 when calculating the Company's 15% placement capacity.*

**D** is 10%

**E** is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.

For the purposes of ASX Listing Rule 7.3A, the following information is provided:

- The minimum price at which the ordinary shares will be issued will be no less than 75% of the volume weighted average price for ordinary shares calculated over the 15 trading days on which trades are recorded immediately before:
  - a) the date on which the price at which the securities are to be issued is agreed; or
  - b) if the securities are not issued within 5 trading days of the date in paragraph (a) above, the date on which the securities are issued.
- The existing ordinary shareholders face the risk of economic and voting dilution as a result of the issue of equity shares which are the subject of this resolution, to the extent that such shares are issued; including:
  - a) the market price of ordinary shares may be significantly lower on the issue date than<sup>2</sup> on the date on which this approval is being sought; and
  - b) the ordinary shares may be issued at a price that is at a discount to the market price for those ordinary shares on the issue date.

The following table gives examples of the potential dilution of existing ordinary shareholders on the basis of the current market price of the Company's ordinary shares and the current number of ordinary shares as at the date of this Notice of Meeting and Explanatory Memorandum (Variable A) calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of this Notice of Meeting and Explanatory Memorandum. The table also shows:

- examples of where Variable A has increased by 50%, and by 100%, respectively. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require shareholder approval (for example the pro-rata entitlement issue or script issue under a takeover offer) or future specific requirements under Listing Rule 7.1 that are approved at a future shareholders meeting; and
- examples of where the issue price of ordinary securities has decreased by 50%, and increased by 100%, respectively, as against the current market price.

Variable A (ASX Listing Rule 7.1A(2))		Dilution		
		AU\$0.032 50% decrease in issue price	AU\$0.064 Issue price	AU\$0.128 100% increase in issue price
Current Variable A is the current number of shares on issue 920,577,086 ordinary shares	10% voting dilution  Funds raised	92,057,709 ordinary shares  AU\$2,945,846	92,057,709 ordinary shares  AU\$5,891,693	92,057,709 ordinary shares  AU\$11,783,386
50% increase in current Variable A 1,380,865,629 ordinary shares	10% voting dilution Funds raised	138,086,563 ordinary shares  AU\$4,418,770	138,086,563 ordinary shares  AU\$8,837,540	138,086,563 ordinary shares  AU\$17,675,080
100% increase in current Variable A 1,841,154,172 ordinary shares	10% voting dilution Funds raised	184,115,417 ordinary shares  AU\$5,891,693	184,115,417 ordinary shares  AU\$11,783,386	184,115,417 ordinary shares  AU\$23,566,773

Notes:

- I. The table assumes that the Company issues the maximum number of ordinary shares available under ASX Listing Rule 7.1A.
  - II. The table assumes that no options or performance rights are exercised for ordinary shares before the date of the issue of ordinary shares under ASX Listing Rule 7.1A.
  - III. The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 10% Placement Facility based on that shareholder's interest at the date of the meeting.
  - IV. The table shows the effect of an issue of ordinary shares under ASX Listing Rule 7.1A, not under the Company's 15% placement capacity under ASX Listing Rule 7.1.
  - V. The issue price of AU\$0.064 being the closing price of the shares on 19<sup>th</sup> March 2015.
- The date by which the Company may issue the ordinary shares is the period commencing on the date of the AGM (to which this Notice of Meeting relates i.e. 21 May 2015) at which approval is obtained and expiring on the first to occur of the following:
    - o the date which is 12 months after the date of the AGM at which approval is obtained (i.e. 21 May 2016); and
    - o the date of the approval by shareholders of the Company's ordinary shares of a transaction under ASX Listing Rule 11.1.2 or 11.2

The approval under ASX Listing Rule 7.1A will cease to be valid in the event that holders of the Company's ordinary shares approve a transaction under ASX Listing Rule 11.1.2 or 11.2.
  - The ordinary shares will be issued for the purpose of raising working capital for the Company and may be issued for non-cash consideration. In addition to the application of the funds to general working capital purposes, the funds will be applied to the maintenance, exploration and evaluation, if warranted, of existing projects and/or leases; the acquisition of working interests in new projects and/or leases and the development, if warranted of existing and/or new projects.
  - The Company's allocation policy is dependent on the prevailing market conditions at the times of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
    - o The methods of raising funds that are available to the Company;
    - o The effect of the issue of the Equity Securities on the control of the Company. Allocation will be subject to takeover thresholds;
    - o The financial situation and solvency of the Company; and

- o Advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

- The Company obtained approval under ASX Listing Rule 7.1A at last years Annual General Meeting held on 22 May 2014 but did not issue any shares under ASX Listing Rule 7.1A.

As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, and is now seeking Shareholder approval to renew its capacity to issue an additional 10% of its issued capital under Listing Rule 7.1A, it is required by Listing Rule 7.3A.6 to provide details of all issues of securities in the 12 months preceding the date of the meeting.

As required by Listing Rule 7.3A.6(a) the total number of securities issued preceding the date of the meeting and the percentage they represent of the Company's securities on issue at the commencement of that 12 month period are presented in the table below:

**Total Number of Securities Issued in Last 12 Months [LR7.3A.6(a)]**

Number of Securities Issued	66,315,740
Percentage of Equities Issued	7.76%

As required by Listing Rule 7.3A.6(b) the details of all issues of securities by the Company during the 12 months preceding the date of the meeting are detailed below:

1. On 2 September 2014, 64,432, 990 ordinary fully paid shares were issued to PanAust Limited as part of a share placement raising AU\$5 million. The issue price was AU7.76 cents per share which represented a 30% premium to the volume weighted average share price of Highlands shares traded over the month in October 2013. Based on share price at the time of this issue it represented a 23% premium. The proceeds of the raising were added to existing cash balances to bring the Company's cash reserves to AU\$11 million post the share placement. The proceeds have and will continue to be used for general working capital requirements and the maintenance of exploration licenses. As at 31 March 2015 the Company has approximately AU\$13 million in cash reserves. **(Refer Resolution 6)**
2. On 28 January 2015, 1,882,750 ordinary fully paid shares were issued to Highlands' employees as part of a Company's Performance Rights Plan. There was no consideration received for the issue, and therefore no funds raised, as these shares were the result of the vesting of zero priced Performance Rights. The discount to the market price at the time of issue was 100%.

The Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting. At the date of the Notice, the proposed allottees of any Securities which may be issued in accordance with this resolution are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Securities which may be issued in accordance with this resolution), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

Resolution 7 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by shareholders entitled to vote on Resolution 7 must be in favour of the resolution.

**The Directors unanimously recommend that Shareholders vote in favour of this Resolution.**

000001 000 HIG  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Lodge your vote:



### 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  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

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

## Proxy Form

 For your vote to be effective it must be received by 10:00am (Port Moresby/Brisbane time) on Wednesday , 20 May 2015

### 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

**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](http://www.investorcentre.com) under the information tab, "Downloadable 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.

**Turn over to complete the form** ➔



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**



**Review your securityholding**



**Update your securityholding**

**Your secure access information is:**

**SRN/HIN: I9999999999**



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



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.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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 Annual General Meeting of Highlands Pacific Limited to be held at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea at 10:00am (Port Moresby/Brisbane time) on Thursday, 21 May 2015 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.

	For	Against	Abstain
1 To receive accounts and reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Director – Ken MacDonald	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Director – Bart Philemon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of issue of performance rights to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Ratification of Private Placement of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Increase in share capacity under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of 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 / /

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1 2 3 4 5 6 A

Computershare +





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



 For your security keep your SRN/HIN confidential.

Dear Shareholder,

Our records show that you have not provided your email address for the above shareholding.

Our company is committed to both its shareholders and the wider community. To that end, we are asking all our shareholders to provide an email address to receive their communications online. This ensures we are providing you with the information you need in the fastest, most cost effective manner possible, while also significantly reducing our environmental impact.

Shareholder communications available online include Annual Report, Voting Forms, Notice of Meeting, Issuer Sponsored Holding Statements, Payment Advices and other company related information. You can view, download or print your shareholding information as you choose.

## WHY GO ONLINE?

Receiving shareholder communications electronically, instead of by post, means:

- > Faster access to important shareholder and company information
- > Reduced environmental impact
- > Secure access to your shareholder documents online, reducing clutter in your home or office
- > Convenient access to all your documents, 24/7



1. Go online to [www.investorcentre.com](http://www.investorcentre.com)
2. Select 'Login' for existing users (New users select 'Create Login' and follow the prompts)
3. Enter your 'User ID'
4. Enter your 'Password'
5. Click on 'My Profile' and select 'Communications Preferences' to enter your email address and update your securityholder communication methods.

**OR**



My email address is:

By providing my email address above I am electing to receive all my shareholder communications via email rather than by post. This includes notifications by email (where offered) of Annual Reports, Voting Forms, Notice of Meeting, Issuer Sponsored Holding Statements, Payment Advices and replaces any prior election I may have made. I acknowledge and agree that I have read and understood Computershare's Terms and Conditions of Use which I can obtain from the Computershare website ([www.computershare.com.au/investor](http://www.computershare.com.au/investor)), or alternatively by calling the Computershare Helpdesk on 1300 850 505 (within Australia) or +61 3 9415 4000 (if outside Australia).

**If you do not wish to receive shareholder communications electronically you do not need to take any action.** You can change your election at any time by accessing [www.investorcentre.com/au](http://www.investorcentre.com/au) or by calling the Computershare Helpdesk on 1300 850 505.

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