



30 April 2019

SCHEME MEETING: CHAIRMAN'S ADDRESS

Please find attached to this announcement a copy of the Chairman's address which will be given by Ron Douglas to the attendees of the Highlands Pacific Limited (ASX/POMSoX: HIG, **Highlands**) Scheme Meeting to be held today at 10:00am (Port Moresby time) at The Hilton Port Moresby, Wards Rd, Hohola, Port Moresby, 121, Papua New Guinea on Tuesday, 30 April 2019.

Yours sincerely

Sylvie Moser

COMPANY SECRETARY



**CHAIRMAN'S ADDRESS
COURT CONVENED SCHEME MEETING
TO BE HELD AT THE HILTON PORT MORESBY, WARDS RD, HOHOLA, PORT MORESBY,
121, PAPUA NEW GUINEA ON TUESDAY, 30 APRIL 2019 AT 10:00AM**

QUORUM

Good morning Ladies and Gentlemen. It is now 10.00 a.m. and a quorum being clearly present, I declare the Meeting open. Could I ask that you turn off your mobile phones and any recording devices.

Welcome to this Scheme Meeting. My name is Ron Douglas and I am the Chairman and an Independent Non-Executive Director of Highlands Pacific Limited. I will be the Chair of today's meeting.

INTRODUCTION OF DIRECTORS AND EXECUTIVES

Also in attendance today is Craig Lennon, Managing Director and Ernie Gangloff, Independent, Non-Executive Director.

CHAIR'S ADDRESS

The purpose of this meeting is to consider, and if thought fit, to approve a scheme of arrangement under which Cobalt 27 would acquire all of the shares in Highlands (other than the shares it already owns) at a price of A\$0.105 per Highlands Share. The consideration will increase by A\$0.010 cash per share to A\$0.115 per share if before 31 December 2019 the closing spot price of nickel (determined as the mid-point of the London Metal Exchange Official Closing Cash Bid and Cash Offer prices) exceeds US\$13,220 per tonne over a period of 5 consecutive trading days.

If the Scheme is approved at today's meeting, Highlands intends to apply to the National Court of Papua New Guinea for orders approving the Scheme. If those orders are granted, Highlands' shares will then be suspended from trading on ASX and POMSoX, and your shares in Highlands will be transferred to Cobalt 27 and the Scheme Consideration will be paid on 17 May 2019.

Shareholders should have previously received the Scheme Booklet, setting out the background to the Scheme, including the termination of the previous Streaming Agreement with Cobalt 27 in December last year; the Independent Directors' recommendation that shareholders vote in favour of the Scheme; the key reasons for that recommendation; and some of the arguments against the Scheme.

The Scheme Booklet also contained an independent expert's report from Deloitte, and a technical expert's report from Behre Dolbear. In its report, the independent expert assessed the value of



Highlands at between A\$0.085 and A\$0.144 per Highlands Share. The Base Scheme Consideration under the Scheme of A\$0.105 per Highlands Share is within this range. The Independent Expert has concluded that the Scheme is in the best interests of Shareholders not associated with Cobalt 27, in the absence of a superior proposal.

In summary, the key reasons for the Independent Directors' recommendation that shareholders vote in favour of the Scheme are as follows:

1. The cash consideration of A\$0.105 per share, rising to A\$0.115 per share subject to the applicable nickel price threshold being met, represents an attractive premium to the trading prices of Highlands Shares recently prior to the announcement of the Scheme;
2. If the Scheme proceeds, Shareholders will receive certain value for their investment in Highlands and avoid the ongoing risks and uncertainties associated with Highlands' assets and operations. These risks and uncertainties are described in the Scheme Booklet, but include:
 - the fact that, without the Streaming Agreement, Highlands is not in a position to repay the Ramu project loans to MCC, and will therefore not be entitled to receive any cash flows from the Ramu Project for the foreseeable future;
 - in relation to the Frieda River project, Highlands is in dispute with PanAust regarding joint venture contributions, with arbitration underway in Queensland. Also, PanAust's updated feasibility study indicates that the project will require US\$6 billion of pre-production capital (excluding non-project infrastructure) and will not see production commence until 2028 at the earliest, based on a seven year implementation schedule and an additional two years to finalise permitting and financing;
 - in relation to the Star Mountains project, following Anglo American's withdrawal, Highlands has been unsuccessful in its attempts to introduce a new joint venture partner; and
 - Highlands has a declining cash balance, and little realistic prospect of generating additional shareholder value, having wound back its corporate office in 2017, and ceased investment in new exploration and project identification.
3. The Scheme is not subject to further financing arrangements or due diligence;
4. There is potential for Scheme Participants to receive the Additional Contingent Scheme Consideration of A\$0.010 per share if the applicable nickel price threshold is met, which provides upside potential for Highlands Shareholders;



5. The independent expert has concluded that the Scheme is in the best interests of Highlands Shareholders (other than Cobalt 27), in the absence of a superior proposal;

6. Since the transaction was announced on 2 January 2019, no competing proposal has been received, and the Independent Directors are not aware, as at the date of this meeting, of any competing proposal that is likely to emerge:
 - here it is worth noting that, after the transaction was announced, Highlands invited a number of parties to conduct due diligence on the company and its assets, and to put forward competing proposals such as a competing change of control transaction; sale of Highlands' interest in the Ramu Project; or a transaction to support repayment of the Ramu Project loans;
 - as I mentioned, despite this, no competing proposals have been received; and

7. The Independent Directors believe that the Highlands Share price may fall in the near-term if the Scheme is not implemented. In that scenario, Highlands would continue as a listed entity, but would continue to be faced with the same uncertainties and risks.

I would now like to turn to the formal part of the meeting. Firstly, I will outline the meeting and voting procedures. There will then be time for questions and discussion on the Scheme Resolution. After the questions and discussions, I will disclose the proxy votes which have been received, and there will then be a vote by way of a poll on the Scheme Resolution.

The results of the voting will be announced to the ASX and POMSoX later today and will be published on the Highlands website.



ASX Code: HIG
POMSoX Code: HIG
Shares on Issue: 1,093 million
Performance Rights: Nil

Directors

Ron Douglas, Chairman
Craig Lennon, MD/CEO
Ernie Gangloff
Anthony Milewski

Management

Sylvie Moser, CFO /Co Sec.
Ron Gawi, GM Port Moresby

Investor and Media Enquiries:

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About Highlands Pacific Limited

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

Ramu Nickel Cobalt Mine

The producing Ramu nickel cobalt mine is located 75km west of the provincial capital of Madang, PNG. Highlands holds an 8.56% interest in the Ramu project that will increase to 11.3% at no cost to Highlands once Highlands' share of Ramu project debt is repaid to the project manager and joint venture partner Metallurgical Corporation of China (MCC).

Star Mountains Prospects

The Star Mountains exploration tenements are located approximately 20km north of the Ok Tedi mine, in the West Sepik Province, PNG. They lie within the highly prospective New Guinean Orogenic Belt, which hosts the Grasberg, Ok Tedi, Porgera and Hidden Valley mines, as well as the Frieda deposit.

Frieda River Copper/Gold Project

The Frieda River copper gold project is located 175km north-west of the Porgera gold mine and 75km north-east of the Ok Tedi mine. Highlands has a 20% interest in the project and Frieda River Limited (a wholly owned subsidiary of PanAust Limited which in turn is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd.) has 80%.