



17 May 2018

2018 Annual General Meeting Chairman's Address

As required by Listing Rule 3.13.3, attached is a copy of the Chairman's Address, which will be delivered at the Annual General Meeting of the Company being held today at 10.00am in Port Moresby, Papua New Guinea.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Sylvie Moser', is written over a horizontal line.

**SYLVIE MOSER
COMPANY SECRETARY**

17 May 2018

Highlands Pacific AGM Chairman's Address

Good morning ladies and gentlemen and thank you for your attendance here today and your interest in the company.

I'm pleased to report that since last year's AGM Highlands Pacific has made good progress in realising the value of the metals within our portfolio and the part that these will play in a low carbon future. Our suite of Copper, Nickel and Cobalt are important to both energy storage and the shift away from carbon based to a more sustainable energy future and our share price is starting to reflect this understanding.

Whilst reliant on our joint venture partners to continue to grow and progress these opportunities, forecast revenue flows will provide us the opportunity to grow independently of our existing joint ventures.

Ramu

The highlight for the Company has been the excellent performance of the Ramu nickel and cobalt mine, in which we hold an 8.56% interest, which has been able to achieve record outputs and generate substantial cashflows over the period.

In the 12 months to December 2017, Ramu produced almost 35,000 tonnes of nickel, which is well above the design capacity, as well as 3,300 tonnes of cobalt. Furthermore, I'm pleased to say that the strong production has been maintained in the 2018 year to date.

The excellent operating performance has coincided with a strong rebound in nickel and cobalt prices due to the revolutionary battery technologies being developed which are generating rapid growth in demand for battery metals.

Nickel is now trading at more than US\$13,800/t, which is up 35% from US\$10,191 at the start of 2017, and reached more than US\$15,000/t in April this year. Likewise, cobalt has surged to a current price of US\$88,750/t, which is up 170% from US\$32,750 at the start of 2017, after reaching a peak of more than US\$95,000/t earlier this year.

Our Chief Executive Officer Craig Lennon will speak more about this sustained and welcome recovery in metal prices in his presentation to follow.

Financial results

The combination of increased sales volumes and rising prices enabled the Ramu project to achieve record earnings in the year to December 2017, with Highlands' share of Ramu's profit increasing to \$3.5 million, compared with a loss of \$5.6 million in the prior year. As a result, the carrying value of Highland's interest in the Ramu project was consequently increased by US\$42.9 million to US\$110 million. This was a major contributor to the net profit of US\$37.4 million we reported for the financial year ended 31 December 2017, compared with a loss of \$15.8 million in the prior year.

So that was certainly encouraging, but perhaps more importantly, the strong operational and financial performance of Ramu has meant that it has commenced paying cash distributions to Highlands and we have started repaying our share of debt for the project construction.



A maiden distribution of US\$14.2 million has been received for the 2017 year. Of this, US\$12.7 million was applied to reducing Highlands' share of project debt, leaving US\$1.5 million in net cash distributions.

Based on Ramu's results for the March quarter of 2018, and assuming steady rates of production and stable commodity prices for the remainder of the year, the 2018 distribution would be approximately US\$31 million, of which US\$25 million would be applied to reducing debt, leaving Highlands with a cash distribution of approximately US\$5 million.

That marks a very fundamental shift for the Company, as it provides us with a source of cash for a period as we work to improve the value of our portfolio of projects.

Let me just touch on those other key projects, starting with the Star Mountains copper/gold exploration project.

Star Mountains

We've made a great deal of progress at Star Mountains over the past year, having completed a major drilling campaign in the June quarter which involved seven diamond drill holes for a total depth of approximately 5,620 metres. The drilling again confirmed extensive mineralised zones with a number of impressive intercepts that suggest that the area may host a significant copper porphyry deposit.

As a result of the campaign and earlier drilling, a maiden inferred resource of 840,000 tonnes of copper and 2.9 million ounces of gold has been declared, confirming the project's potential.

Since the end of the year, Anglo American plc has reassessed its global exploration portfolio and withdrawn from the Star Mountains joint venture, but this has enabled Highlands to regain a 100% interest, leaving us with full control over the future of the project. We are now testing the market for new partners to help us advance the exploration efforts and realise the full value of the project.

Frieda River

The Frieda River project continues to make slow but steady progress. It remains one of the world's largest undeveloped copper projects, with a resource containing some 13 million tonnes of copper and 20 million ounces of gold. The majority owner and manager of the project, PanAust Limited, a wholly owned subsidiary of Guangdong Rising Assets Management Ltd. Co., is currently investigating alternative development pathways to improve returns and reduce risks. In the meantime, it is liaising with PNG authorities with respect to permitting.

Highlands, meanwhile, will continue to explore opportunities to realise value for our 20% interest in the project.

Share price performance

As a result of all these developments and advancements achieved since last year, we have seen a marked increase in the Company's market valuation. Our shares are now trading at approximately 9 cents, compared with 5.8 cents at the 2017 AGM. So we've seen a 60% increase.



However, the share price remains considerably lower than where we would like it to be and does not reflect the underlying value or future potential of the Company. It also does not properly reflect the Company’s perfect positioning to benefit from the battery metal revolution currently unfolding, nor does it appear to recognize the fact that Highlands, through Ramu, is one of the few actual cobalt producers listed on the ASX.

It remains our challenge to maintain the momentum we have built over the past 12 months, to continue to explore avenues to create value for our shareholders and to ensure that we gain full value from the expected improvements in market conditions currently evolving.

I remain optimistic that 2018 will be a strong year for the Company.

In closing, I would like to thank the CEO, Craig Lennon and his small team for their hard work and dedication over the past year. I also thank my fellow directors for their wise counsel and expertise, and I thank you, the shareholders, for your on-going support.

Forward-Looking Statements

This announcement includes certain “Forward-Looking Statements”. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast production performances, potential mineralisation, exploration results and future expansion plans and development objectives of Highlands Pacific Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.



ASX Code: HIG

POMSox Code: HIG

Shares on Issue: 950 million

Performance Rights: Nil

Directors

Ron Douglas, Chairman

Craig Lennon, MD/CEO

Bart Philemon

John Wylie

Management

Sylvie Moser, CFO

Ron Gawi, GM Port Moresby

Investor and Media Enquiries to:

Joe Dowling

Stockwork Corporate

0421 587755

Website:

www.highlandspacific.com

About Highlands Pacific Limited

Highlands Pacific is a PNG incorporated and registered mining and exploration company listed on the ASX and POMSoX exchanges. 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).

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.

Ramu Nickel Cobalt Mine

The producing Ramu nickel cobalt mine is located 75km west of the provincial capital of Madang, PNG. Highlands 8.56% interest in Ramu will increase to 11.3% at no cost to Highlands after repayment of its share of the project debt. Highlands also has an option to acquire an additional 9.25% interest in Ramu at fair market value, which could increase the company's interest in the mine to 20.55%, if the option is exercised.

Frieda River Copper/Gold Project

The Frieda River copper gold project is located 175kms 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%.