



**COMPANY ANNOUNCEMENT/MEDIA RELEASE**

21 February 2017

**PanAust comments on proposal to reinvigorate the Highlands Pacific board**

PanAust notes the announcement dated 15 February 2017 by Highlands Pacific Limited (**Highlands**) in relation to a request to requisition a meeting of Highlands shareholders to consider resolutions relating to the composition of the Highlands board.

PanAust considers that the announcement made by Highlands omits material information in relation to the proposal to reinvigorate the Highlands board. In particular, the announcement failed to disclose that PanAust views each nominee as independent from PanAust, and that there is no arrangement or understanding that the proposed independent directors will act at the direction of, or report to, PanAust. PanAust also wishes to note that in its view each nominee would meet the test of independence as set out in the ASX Corporate Governance Principles and Recommendations.

PanAust also wishes to clarify that the proposal to reinvigorate the Highlands board is unrelated to the ongoing dispute in relation to the Frieda River Project (and the proposed independent directors have no involvement in the Frieda River joint venture). The reasons for PanAust seeking to change the composition of the Highlands board (which will be more fully explained in the statement required to be provided by Highlands to investors with the notice of special meeting) include to implement a new strategy and direction for Highlands with a view to increasing shareholder value in circumstances where the Highlands’ share price has decreased significantly over the last 5 years.

PanAust notes that voting patterns at the last AGM reflect substantial shareholder discontent with the current Board following the US\$68 million loss in 2015 which included the payment of short term incentives to senior management. Sentiment is unlikely to have improved following the 2016 half year loss of US\$23.5 million which has been exacerbated by the Board’s delayed and ineffective response to implement austerity measures and also in the absence of any disclosure in respect of strategy to create shareholder value. Clearly, change is overdue with barely US\$10.5 million cash left in the bank at year end after spending US\$3 million on staff costs for the year.

PanAust does not agree with the comments made by Highlands in the announcement that, should the proposal be implemented, it would result in a “PanAust-dominated board” which “would be at risk of operating in the interests of GRAM, rather than in the interests of all our shareholders”. As noted above, PanAust considers that the appointment of a new, independent board is an important

<p><b>2015 WINNER</b> AUSTRALIAN CLIMATE LEADERSHIP AWARDS MOST PROFITABLE CARBON REDUCTION ACTIVITY</p> 	<p><b>2013 WINNER</b> PROJECT DEVELOPMENT OF THE YEAR</p> 	<p><b>2013 WINNER</b> SUSTAINABILITY LEADERSHIP <b>2010/11 WINNERS</b> BEST COMMUNITY DEVELOPMENT</p> 	<p><b>2011</b> LAO PDR LABOUR ORDER CLASS 1 BEST RURAL DEVELOPMENT</p> 	<p><b>2011 WINNER</b> SOCIAL/COMMUNITY PRESENTED BY ETHICAL INVESTOR</p> 
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step towards a strategic reinvigoration of Highlands with a view to stemming ongoing value destruction.

PanAust notes that it is still waiting on a response from Highlands on the date of the shareholders meeting to consider Highlands board composition.

Investors are urged to consider the resolutions being proposed by PanAust carefully, together with the information and reasons put forward by PanAust, and to VOTE IN FAVOUR of the resolutions at the special meeting.

For further information contact:

Dr Fred Hess

Managing Director

PanAust Limited

Tel: +61 7 3117 2000

Email: [info@panaust.com.au](mailto:info@panaust.com.au)

Website: [www.panaust.com.au](http://www.panaust.com.au)