



Quarterly Activities Report - for the period ended 30 June 2017

ASX Code: HIG

Shares on Issue: 936 million
Performance Rights: 17 million
Shareholders: ~7,200

Market Cap: A\$55m (6.0c-per-share)

Cash at bank: A\$10.3m

Directors

Ron Douglas, *Chairman*
Craig Lennon, *Managing Director/CEO*
John Wylie
Dan Wood
Bart Philemon

Management

Sylvie Moser, CFO & Co Sec
Ron Gawi, GM Port Moresby
Leslie Nand, GM Exploration Projects

For further information, please contact:

Joe Dowling
Stockwork Corporate Communications
0421 587755

www.highlandspacific.com

HIGHLIGHTS

Ramu Nickel Cobalt Mine (*Highlands 8.56% with potential to move to 20.55%*)

- Record production of 9,072 tonnes of nickel and 869 tonnes of cobalt achieved in June quarter.
- Project net cash inflow (unaudited) of US\$51 million for the June quarter, after capital expenditure of US\$2 million. YTD project net cash inflow (unaudited) US\$78 million, after capital expenditure of US\$4 million.
- Cash operating costs for the June quarter averaged approximately US\$5,660/t nickel, generating operating margins of approximately US\$4,680/t nickel, after cobalt credits.

Star Mountains Copper Gold exploration (*Highlands 85%*)

- Exploration drilling campaign advanced steadily.
- Five holes completed for 4,110 metres. Additional hole being drilled at Fune.
- Assays confirm extensive copper mineralisation.
- Project Management transferred to Anglo American plc.

Frieda River Copper Gold Project (*Highlands 20%*)

- Project permitting process awaiting finalisation of possible refinement of project components.
- Arbitration commenced with GRAM/PanAust to confirm joint venture funding obligations.

Sewa Bay Nickel (*Exploration*)

- Airborne laser and imagery (LIDAR) survey completed.

Corporate

- John Wylie appointed as Director.
- Annual General Meeting and Special Meeting convened 18 May. Current board confirmed and GRAM/PanAust resolutions rejected.
- Process continuing to identify options to realize Frieda River project value.
- Potential acquisitions being explored with a focus on copper and precious metals projects that are close to production.
- Cash totalled US\$8 million (A\$10.3 million) at the end of June 2017.

Managing Director Craig Lennon said he was delighted with the strong progress being achieved in the June quarter, and particularly the record production achieved at Ramu. He also said he was pleased that the Board composition had been resolved and the Company could focus on achieving improved results for shareholders.

"Highlands has commenced a new chapter in its history, with a revitalised Board and management team in place, working hard to advance our existing projects for the benefits of all our shareholders. We also are actively exploring opportunities to enhance our growth prospects and financial profile through the addition of a project that can generate positive cashflows in a reasonable time frame. While remaining very focused on minimising corporate costs, we are determined to advance strategic options that will improve returns for our shareholders," he said.



Ramu Nickel Cobalt Mine

Location: The Kurumbukari mine is connected to the Basamuk treatment plant by a 135km pipeline which is on the coast and 75km east of the provincial capital of Madang, PNG.

Equity: Highlands has an 8.56% interest in the mine which will increase to 11.3% at no cost after internal project debt has been repaid (refer below). Highlands has an option to acquire an additional 9.25% at fair market value which could increase its interest to 20.55%.

Funding: MCC Ramu NiCo was responsible for development and financing the project. Highlands share of the project borrowings (capped to a specified development threshold) are held in Highlands' wholly owned subsidiary, Ramu Nickel Limited, and are non-recourse to Highlands Pacific Limited or other group companies. The borrowings are to be repaid out of Ramu Nickel's share of operating surpluses from the project (sales revenue less operating costs and on-going capital expenditure) rather than operating and financing cashflows generated by the Highlands Group.

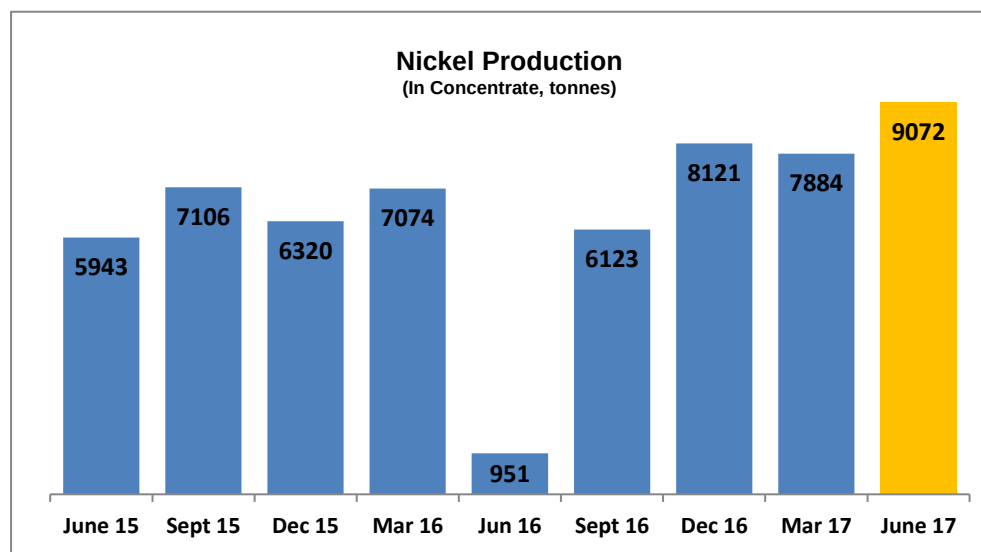
About MCC: Metallurgical Corporation of China Limited is the operator of the project. MCC is a multi-asset company, well known for its strength in scientific research, industrial engineering practice and international trading. MCC holds a 61% interest in MCC Ramu NiCo Limited (which holds an 85% interest in the Mine), with other Chinese end users holding the remaining 39%.

RAMU NICKEL COBALT MINE (8.56% with potential to move to 20.55%)

The Ramu nickel/cobalt mine achieved record production of nickel and cobalt in the June quarter.

The mine achieved total output of 9,072 tonnes of nickel and 869 tonnes of cobalt in concentrate in the quarter, as the process plant achieved throughput rates well above design capacity.

	2016 June Qtr	2016 Sept Qtr	2016 Dec Qtr	2017 Mar Qtr	2017 Jun Qtr
Ore Processed (dry kt)	88	613	844	809	936
MHP Produced (dry t)	2,439	16,218	21,319	20,143	23,717
Contained Ni (t)	951	6,123	8,121	7,884	9,072
Contained Co (t)	93	589	815	755	869
MHP shipped (dry t)	12,684	12,281	21,875	19,397	29,703
Contained Ni (t)	4,968	4,706	7,739	7,411	11,249
Contained Co (t)	489	448	775	721	1,076



The quarter saw excellent performances across all segments of the operation. Mine production at Kurumbukari exceeded budget, leading to higher rates of slurry transfer to the Basamuk process plant. Slurry nickel and cobalt grades were in line with expectations, averaging 1.1% for nickel and 0.11% for cobalt.

Process plant throughputs reached record levels following planned maintenance work completed on two HPAL trains in the March quarter, with the third HPAL train scheduled for a 14 day shutdown in the September quarter.



Financial Performance

The Ramu operation's financial performance benefitted from strong cobalt prices, which moved steadily towards US\$60,000/t in the quarter, while nickel prices hovered around US\$9,000/t with a rising trend seen late in the period. The operation realised a net cash inflow (unaudited) of US\$51 million for the June quarter (US\$78 million YTD), after capital expenditure of US\$2 million (US\$4 million YTD).

Average revenue received per tonne of nickel sold in the June quarter was approximately US\$10,340, including cobalt credits and net of selling costs and payable charges. Average operating cost per tonne of nickel produced was approximately US\$5,660, generating cash operating margins of approximately US\$4,680/t.

Highland's 8.56% share of net cash inflow is being applied to repay the Company's share of operating losses incurred during 2015 and 2016. It is anticipated that if production rates are sustained, and nickel and cobalt prices remain firm, a maiden distribution could be received by Highlands by the end of the year. Highlands, the PNG Government and landowners are currently in discussions with MCC concerning an extension to the current debt repayment structure. Once all borrowings have been repaid, Highlands' interest in Ramu will increase to 11.3% at no cost.



Ramu Mineral Resources (at a 0.5% nominal cut-off and excluding oversize (+2mm))

Kurumbukari			
Category	MT	Ni(%)	Co(%)
Measured	37	0.9	0.1
Indicated	5	1.3	0.1
Inferred	2	1.2	0.1
Total	44	0.96	0.1

Ramu West			
Category	MT	Ni(%)	Co(%)
Indicated	17	0.9	0.1
Inferred	3	1.5	0.1
Total	20	1.0	0.1

Greater Ramu			
Category	MT	Ni(%)	Co(%)
Inferred	60	1.0	0.1

Global Total	MT	Ni(%)	Co(%)
	124	1.0	0.1

Notes: 1. Totals may not equal the sum of the component parts due to rounding adjustments. 2. Tonnes (dry) represent the -2 mm economic portion of resource mineralization in the rocky saprolite.

Competent Persons Statement: The information in this report that relates to Ramu Mineral Resources is based on information compiled by Xiong Xiaofang, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Xiong Xiaofang is a full-time employee of China ENFI Engineering Corporation and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Xiong Xiaofang consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information on the Ramu Resource is extracted from the report entitled "Ramu NiCo – Mineral Resources and Ore Reserves 2016" created on 11 July 2017 and available on the Company website.



Ramu Ore Reserve 31 Dec 2016

Kurumbukari				
Category	MT	Ni(%)	Co(%)	Rocks +2mm MT
Proved	29	0.9	0.1	
Probable	6	1.3	0.1	9
Total	35	1.0	0.1	9

Ramu West				
Category	MT	Ni(%)	Co(%)	Rocks +2mm MT
Proved				
Probable	14	0.9	0.1	
Total	14	0.9	0.1	

Global Total	MT	Ni(%)	Co(%)	
	49	1.0	0.1	9

Notes: 1. Totals may not equal the sum of the component parts due to rounding adjustments. 2. Ore tonnes (dry) represent the -2 mm economic portion of resource mineralization. Rock represents an estimate of oversize material (+2 mm) that includes low-grade rocks and rock fragments that occur in the rocky saprolite mineralized zone and are considered as internal waste. The rock will be removed by a simple screening process prior to beneficiation. Accordingly, the ore tonnage is reported after initial screening prior to the beneficiation plant. 3. The Ore Reserve estimate was made using metal prices of US\$17,045/t nickel and US\$25,412/t cobalt. 4. Cut-off grade is variable and equates to 0.58% nickel equivalent, including credit for recovered cobalt metal.

Competent Persons Statement: The information in this report that relates to Ramu Ore Reserves is based upon information compiled by Mr Chao An Deng, who is a Deputy Chief Engineer of China ENFI Engineering Corporation and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Chao An Deng is a full-time employee of China ENFI Engineering Corporation and has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)". Mr Chao An Deng consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information on the Ramu Reserve is extracted from the report entitled "Ramu NiCo – Mineral Resources and Ore Reserves 2016" created on 11 July 2017 and available on the Company website.

Highlands confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Highlands confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



Location: The Star Mountains refers to a range of mountains in far west PNG. The tenements are approximately 20kms NE of the Ok Tedi copper mine. Total tenement area 1,049km²

History: First explored by Kennecott in the early 1970s.

Ownership: In February 2015, Highlands Pacific and a subsidiary of Anglo American Plc formed a joint venture for exploration and development of the Star Mountains project, which includes the Tifalmin lease (EL 1392), Munbil (EL 1781), Benstead (EL 2001), Nong River lease (EL 1312) and the Mt Abemh lease (EL 2467). Under the terms of that joint venture, Anglo American holds the rights to move to an 80% interest in the project, subject to achieving certain spending commitments and completing a bankable feasibility study. The PNG Government retains the right to acquire up to a 30% interest in the project.

2011 Exploration Program: Focused on the completion of Stage 1 drilling program on the Olgal prospect.

2012 Exploration Program: 5,587m of drilling for 17 holes covering 6 prospect areas.

2015 Exploration Program: Nine hole program for a total of 5,387 metres.

2016/17 Exploration Program: Five holes completed, with sixth hole being drilled

STAR MOUNTAINS COPPER/GOLD PORPHYRY EXPLORATION

Exploration drilling has continued at the Star Mountains project, with recent assay results confirming high grade copper mineralisation.

Highlands and its joint venture partner Anglo American commenced the current exploration drilling program at Star Mountains in October 2016.

Five holes have now been completed for a total of 4100 metres, including two holes at Unfin and three holes at Fune. A fourth hole is currently being drilled at Fune targeting a deep anomaly identified through geophysics and airborne surveys. The hole will be drilled to at least 800 metres and may lead to additional drilling.

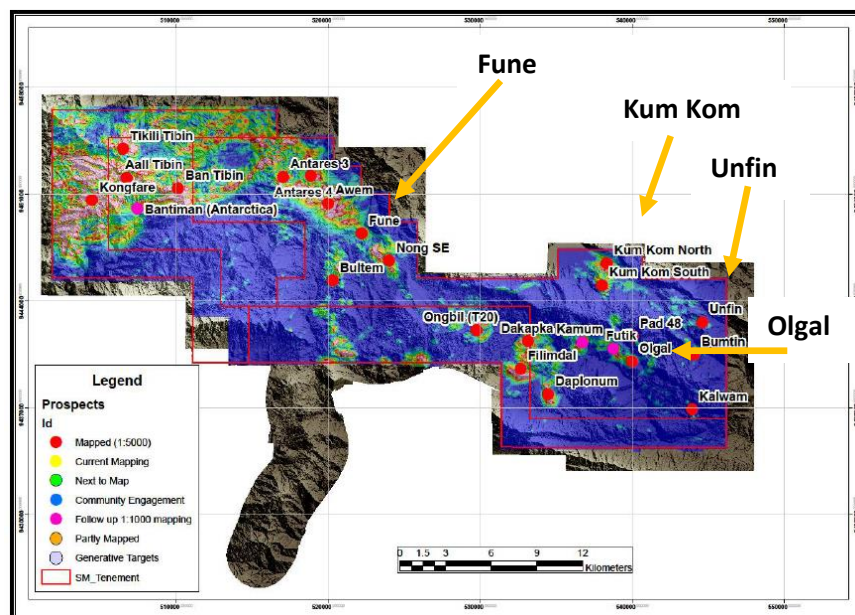
Assay results at a 0.2% cut-off included:

Fune (003Fun17)

12m @ 0.19 g/t Au and 0.68% Cu from 198m

94m @ 0.17 g/t Au and 0.58% Cu from 260m

DRILLING LOCATIONS TO DATE



For full details see ASX release of June 8 entitled "Star Mountains Update".

Management transfer

Highlands has transferred management of the Star Mountains project to joint venture partner, Anglo American, after they achieved the required project expenditure of US\$25 million.

Under the joint venture agreement that was executed in February 2015, Anglo American acquired the rights to an initial 51% interest in the Star Mountains project by paying Highlands US\$10 million. That 51% ownership interest was then to be earned in phases, with 15% vesting upon a farm-in spend of US\$25 million within the first four



years, and the remaining 36% vesting upon the declaration of an NI 43-101/JORC compliant inferred resource of 3 million tonnes of contained copper metal equivalent within 5 years.

The first hurdle of US\$25 million in project expenditure has been achieved, thereby earning Anglo American its first 15% ownership interest, also triggering the transfer of project management.

Anglo American can move to an 80% interest in the Joint Venture by completing a Bankable Feasibility Study by 2030.



About Frieda River

Location: Located in the north-west of Papua New Guinea.

Ownership: Highlands owns 20%. PanAust, a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd. (GRAM) owns 80%.

The Frieda River district endowment totals some 2.7 billion tonnes of mineral resource containing approximately 13 Mt of copper and 20 Moz of gold.

FRIEDA RIVER COPPER - GOLD PROJECT (20%)

Permitting and Project Update

Permitting processes were the focus of activity for the Frieda River project during the June quarter. The project manager, PanAust, continues to liaise with the PNG Mineral Resources Authority, seeking to progress the application for a special mining lease while simultaneously exploring refinements to the project design to improve project economics. Following the completion of PNG national elections in July, the relevant government authorities are expected to provide guidance on the permitting process.

As previously advised, the project manager is investigating a larger hydro-electric facility that could deliver additional power potential. Alternatives also are being considered for shared use infrastructure, development of the Nena deposit and site layout.

Arbitration Commenced

Highlands and its joint venture partner PanAust have commenced arbitration proceedings to resolve a dispute regarding funding of project expenditure.

The parties are in dispute regarding their obligations under the joint venture agreement, including whether Highlands is obliged to commence funding of project expenditures. Highlands previously has sought to resolve the dispute through mediation, however the parties have now agreed to seek a final and binding arbitration before a sole arbitrator. It is expected that the arbitration decision will be received before the end of the year.



Frieda River Resources

The Frieda River Copper-Gold Project exploits the HITEK deposit, which is a large-scale porphyry-style copper-gold deposit with low concentrations of deleterious elements. The Mineral Resource estimates are reported under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition).

January 2017 HITEK Mineral Resource

Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)
Measured	620	0.53	0.30
Indicated	1,240	0.44	0.22
M+I subtotal	1,860	0.47	0.25
Inferred	780	0.35	0.18
MII total	2,640	0.44	0.23

Copper cut-off grade 0.2% (total copper).

This Mineral Resource is reported on a 100% ownership basis.

May include minor computational errors due to rounding.

The HITEK Mineral Resource is constrained within Revenue Factor 1.5 shell, (US\$4.95/lb Cu, US\$2,175/oz Au)

"FRL_HITEK_V3_25x25x15_1608v1e HIT-MII EK-MII_Shell_06_1.5.sft".

Competent Person Statement

Mineral Resources

The data in this report that relate to Mineral Resources for Frieda River are based on information reviewed by Mr Shaun Versace who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Versace is a full time employee of PanAust Limited. Mr Versace has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Versace consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.

The information on the HITEK Mineral Resource is extracted from the report entitled "2017 Horse/Ivaal/Trukai/Ekwai/Koki (HITEK) Deposit Frieda River Mineral Resource and Ore Reserve Statements" created on 24 March 2017 and available on the Company website. No additional resource drilling or modelling has taken place for the HITEK deposit since the 2017 Mineral Resource and Ore Reserve Report.



2017 HITEK Ore Reserve estimate

Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)
Proved	413	0.54	0.32
Probable	272	0.45	0.21
Ore Reserves	686	0.50	0.28

The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

This Ore Reserve is reported on a 100% ownership basis.

May include minor computational errors due to rounding.

The Frieda River Ore Reserve is estimated at commodity prices of US\$3.30/lb copper and US\$1,455/oz gold subject to a floating value¹ based cut-off grade. The representative average copper only cut-off grade is 0.21% copper.

¹Potential mill feed is determined on a net mill value basis and incorporates the influence of metal recovery, ore processing costs and revenue.

Competent Person. Ore Reserves

The data in this report that relate to Ore Reserves for the Frieda River Project are based on information reviewed by Mr Scott Cowie who is a Member and Chartered Professional (Mining) of the Australasian Institute of Mining and Metallurgy (MAusIMM CP). Mr Cowie is a full time employee of PanAust Limited. Mr Cowie has sufficient experience relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cowie consents to the inclusion in the report of the Ore Reserves in the form and context in which they appear.

The information on the HITEK Ore Reserve is extracted from the report entitled "2017 Horse/Ivaal/Trukai/Ekwai/Koki (HITEK) Deposit Frieda River Mineral Resource and Ore Reserve Statements" created on 24 March 2017 and available on the Company website. No additional resource drilling or modelling has taken place for the HITEK deposit since the 2017 Resource and Reserve Report.

Nena Mineral Resources at 0.3% Cu cut off					
Category	MT	Cu(%)	Au(g/t)	As(%)	Sb(ppm)
Indicated	33	2.81	0.65	0.22	153
Inferred	12	1.84	0.45	0.14	88
Total	45	2.55	0.60	0.20	136

Mineral Resource is constrained with an economic pit shell developed in August 2013 based on US\$3.00/lb copper price.

Competent Person Statement: Details contained in this report that pertain to the Nena Mineral Resource Estimates are based upon, and fairly represent, information and supporting documents compiled by Mr Paul Gow. Mr Gow is a Member of The Australasian Institute of Mining and Metallurgy and was a full-time employee of Glencore Xstrata plc at the time the estimate was prepared. Mr Gow has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gow consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The information on the Nena Resource is extracted from the report entitled "2014 Mineral Resource and Ore Reserve Statements" created on 14 March 2014 and available on the Company website. No additional resource drilling or modelling has taken place for the Nena deposit since the 2014 Mineral Resource and Ore Reserve Report.

Highlands confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Highlands confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



Location: Normanby Island,
Milne Bay Province

Ownership: The Esa'ala lease
(EL 1761) is 100% owned by
Highlands.

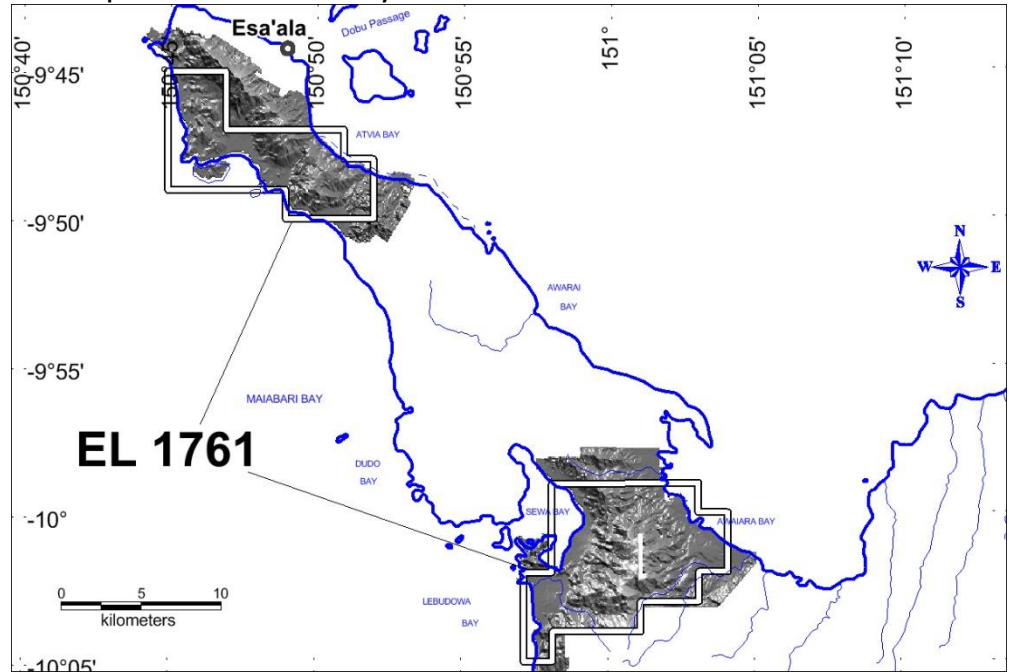
Area: 758 km²

SEWA BAY – NICKEL LATERITE / GOLD EXPLORATION

Highlands and international trading house Sojitz Group, together with Japanese company Pacific Metals Co. Ltd., are continuing exploration activities at the Sewa Bay tenements in Milne Bay Province, where significant nickel mineralisation previously has been identified.

An airborne laser and imagery (LIDAR) survey has been flown over the 200 sq km tenement area, with results received in May. The maps are being used in planning the next stage of drilling, and will assist in Resource assessment and development planning.

Relief Map derived from LIDAR survey



The exploration program has been funded by Sojitz and Pacific Metals.



CORPORATE

New Director Appointed

The process of board renewal that commenced last year continued in the June quarter, with Mr John Wylie, the Chief Executive Officer of the PNG Sustainable Development Program, appointed as a Non-Executive Director in April. Mr Wylie replaced Mike Carroll, who has retired from the Board.

Mr Wylie joined the Board as a nominee of the PNG SDP, which holds an 11% interest in the Company. He is an experienced corporate executive and funds manager, having worked on operational, strategic, transaction and policy issues in Australia, PNG, North America, Asia and Europe.

AGM and Special Meeting

The Company held its Annual General Meeting on 18 May, followed immediately by a Special Meeting requisitioned by PanAust.

At the AGM, shareholders re-elected directors Bart Philemon, John Wylie and Ron Douglas. At the subsequent Special Meeting, shareholders rejected PanAust resolutions seeking to remove three of the existing directors and have them replaced with PanAust nominees.

The existing Board composition was comprehensively confirmed by shareholders.

Frieda River sale process

As previously announced, Highlands has commenced a process seeking to maximise the value of its Frieda River asset, and has appointed advisers Cutfield Freeman and Co to investigate opportunities including a potential sale. Interested parties have engaged in the process and options are being assessed, with a view to finalizing the process by the end of the September quarter. This may or may not lead to a transaction being completed.

Forward Looking Statements

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Highlands Pacific Limited are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Highlands Pacific Limited that could cause Highlands Pacific Limited's actual results to differ materially from the results expressed or anticipated in these statements.

Highlands Pacific Limited cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Highlands Pacific Limited does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements.



ATTACHMENT 1

LIST OF MINING TENEMENTS

(All located in Papua New Guinea)

Tenement Reference	Beneficial Interest at Commencement of Period	Beneficial Interest at End of Period	Location – Province
Exploration (Highlands Pacific Resources Limited) EL 1761	100% - Note 1	100% - Note 1	Milne Bay Province
Star Mountains (Highlands Pacific Resources Limited) ELs 1312, 1392, 1781, 2001 and 2467 ELA 2478 and 2571	49% - Note 1 49% - Note 1	49% - Note 1 49% - Note 1	Sandaun Province Sandaun Province
Frieda River Project (Highlands Frieda Limited) ELs 0058, 1895 and 1956 ELs 1212, 1746 and 1957 ELs 1743, 1744, 1745, and 1896	20% - Note 1 20% - Note 1 20% - Note 1	20% - Note 1 20% - Note 1 20% - Note 1	Sandaun Province Sandaun & East Sepik Province East Sepik Province
Ramu Project (Ramu Nickel Limited) SML 8 ML 149 LMPs 42, 43, 44, 45, 46, 47, 48 and 49 MEs 75, 76, 77, 78 and 79 ELs 193 and 2376 (previously 1178)	8.56% 8.56% 8.56% 8.56% 8.56%	8.56% 8.56% 8.56% 8.56% 8.56%	Madang Province Madang Province Madang Province Madang Province Madang Province

Mining Tenements acquired or disposed of during the quarter – ELA 2478 and 2571 were applied for during the March quarter and will form part of the Star Mountains joint venture.

Beneficial percentage interests held in farm-in or farm-out agreements – all the mining tenements for the Frieda River Project, the Ramu Project and Star Mountains are held in joint venture. The percentage detailed in the table above indicates the percentage held by Highlands.

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter – nil.

NOTES

- Subject to the right of the Independent State of Papua New Guinea to acquire a 30% equity interest in any mining development in that country by paying its pro-rata share of historical sunk costs and future developments costs.
- Definitions:

EL	-	Exploration Licence
ELA	-	Exploration Licence Application
SML	-	Special Mining Lease
ML	-	Mining Lease
LMP	-	Lease for Mining Purpose
ME	-	Mining Easements



Appendix 5b

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HIGHLANDS PACIFIC LIMITED

ACN or ARBN

ARBN 078 118 653

QUARTER ENDED ("CURRENT QUARTER")

30 June 2017

NOTE: As Highlands operating and mining development decisions are based on US dollars, Highlands Directors have adopted the US dollar as Highlands functional and management reporting currency. For ease of understanding by the Australian and PNG investment communities, results have been converted, in this report, to \$A at the rate ruling at the end of the quarter of \$A/\$US 0.7692.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter \$US'000	Current quarter \$A'000	Year to date \$US'000	Year to date \$A'000
Cash flows related to operating activities				
1.1 Receipts from customers	-	-	-	-
1.2 Payments for:				
- exploration and evaluation (Frieda holding costs) *	(111)	(144)	(317)	(412)
- production (Ramu holding costs) *	(28)	(36)	(58)	(75)
- staff costs	(253)	(329)	(459)	(597)
- administration and corporate costs	(680)	(884)	(1,125)	(1,462)
1.4 Interest received	28	36	53	69
1.5 Income taxes (paid)/refund	-	-	-	-
1.6 Other - management fees received from JV management	163	211	341	442
1.7 Net Operating Cash Flows	(881)	(1,145)	(1,565)	(2,034)
Cash flows from investing activities				
2.1 Payments to acquire: property, plant and equipment	-	-	(2)	(3)
2.2 Proceeds from the disposal of: - investments	-	-	-	-
2.3 Other - JV contributions received	1,700	2,210	4,700	6,110
Other - JV contributions expended	(2,612)	(3,396)	(5,891)	(7,658)
2.4 Net cash from / (used in) investing activities	(912)	(1,186)	(1,193)	(1,551)

* Includes staff costs pertaining to these projects



Cash flows from financing activities				
3.1 Proceeds from issue of shares	-	-	(5)	(7)
3.2 Repayment of borrowings	-	-	-	-
3.3 Net cash from / (used in) financing activities	-	-	(5)	(7)
Net increase (decrease) in cash and cash equivalents for the period	(1,793)	(2,331)	(2,763)	(3,592)
4.1 Cash and cash equivalents at beginning of the period	9,731	12,730	10,526	14,547
4.2 Net cash from / (used in) operating activities (item 1.7 above)	(881)	(1,145)	(1,565)	(2,034)
4.3 Net cash from / (used in) investing activities (item 2.4 above)	(912)	(1,186)	(1,193)	(1,551)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-	(5)	(7)
4.5 Effect of movement in exchange rates on cash held	15	(59)	190	(615)
4.6 Cash and cash equivalents at end of period	7,953	10,340	7,953	10,340

Reconciliation of cash and cash equivalents

at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter	Current quarter	Previous quarter	Previous quarter
	\$US'000	\$A'000	\$US'000	\$A'000
5.1 Bank balances	1,632	2,122	3,438	4,498
5.2 Call deposits	-	-	-	-
5.3 Bank overdrafts	-	-	-	-
5.4 Other short-term deposits	6,321	8,218	6,293	8,232
5.5 Cash and cash equivalents at the end of quarter	7,953	10,340	9,731	12,730

Payments to directors of the entity and their associates

	Current quarter	
	\$US'000	\$A'000
6.1 Aggregate amount of payments to these parties (included in item 1.2)	50	65
6.2 Aggregate amount of cash flow from loans to these parties (included in item 2.3)	nil	nil
6.3 Include below any explanation necessary to understanding of the transactions included in 6.1 and 6.2		

Payments to related entities of the entity and their associates

	Current quarter	
	\$US'000	\$A'000
7.1 Aggregate amount of payments to these parties (included in item 1.2)	nil	nil
7.2 Aggregate amount of cash flow from loans to these parties (included in item 2.3)	nil	nil
7.3 Include below any explanation necessary to understanding of the transactions included in 7.1 and 7.2		



Financing facilities available

	Amount available		Amount used	
	\$US'000	\$A'000	\$US'000	\$A'000
8.1 Loan facilities	Nil	Nil	n/a	n/a
8.2 Credit standby arrangements	Nil	Nil	n/a	n/a
8.3 Other (please specify)	Nil	Nil	n/a	n/a
8.4 Include below a description of each facility above.				

Estimated cash outflows for next quarter

	\$US'000	\$A'000
9.1 Exploration and evaluation		
Nong River / Tifalmin project costs (funded by Anglo American)	-	-
Frieda Holding Costs (joint venture costs funded by PanAust)	200	260
9.2 Development	-	-
9.3 Ramu Production – Holding Costs (joint venture costs funded by MCC)	30	39
9.4 Staff costs	240	312
9.5 Administration and corporate costs	320	416
9.6 Other	-	-
9.7 Total estimated cash outflows	790	1,027

Changes in mining tenements (items 2.1(b) and 2.2(b) above)

	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements lapsed, relinquished or reduced		Refer Attachment 1 in Quarterly Report		
10.2 Interests in mining tenements acquired or		Refer Attachment 1 in Quarterly Report		


Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference + securities (description)				
7.2 Issued during quarter				
7.3 + Ordinary securities	935,915,836	935,915,836		
7.4 Issued during quarter	Nil	Nil	Nil	Nil
+ Convertible debt securities (description and				
7.5 conversation factor)				
7.6 Issued during quarter				
7.7 Options (description and conversation factor)	Refer Attachment A		<u>Exercise Price</u>	
Performance Rights Plan	17,150,000	Nil	Refer attached	Nil
7.8 Issued during quarter (Performance Rights)	Nil	Nil	n/a	n/a
7.9 Exercised during quarter (Performance Rights)	Nil	Nil	n/a	n/a
7.10 Expired & lapsed during quarter (Options & PR's)	Nil	Nil	n/a	n/a
7.11 Debentures	Nil	Nil		
(totals only)				
7.12 Unsecured notes (totals only)	Nil	Nil		

COMPLIANCE STATEMENT

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company Secretary)

Date: 28 July 2017

Print name: **S MOSER**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.



ATTACHMENT A

HIGHLANDS PACIFIC LIMITED APPENDIX 5B – ITEM 7.7

PERFORMANCE RIGHTS (DESCRIPTION AND CONVERSION FACTOR)

Outstanding at the end of the quarter

Details	Issued	Previously Exercised
Exercise Price	A\$0.00	
Number of Performance Rights	17,150,000	
Expiry Date	31 Dec 2017	
(Subject to service and performance conditions)		

No Performance Rights were issued during the quarter

No Performance Rights were exercised during the quarter

No Performance Rights lapsed during the quarter