



Quarterly Activities Report - for the period ended 31 March 2017

ASX Code: HIG

Shares on Issue: 936 million
Performance Rights: 17 million
Shareholders: ~7,300

Market Cap: A\$64m (6.8c-per-share)
Cash at bank: A\$12.7m

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 (8.56% with potential to move to 20.55%)

- Production exceeded internal targets in the March quarter, generating net cash inflow (unaudited) of US\$27.6 million for the March quarter, after capital expenditure of US\$2.7 million.
- Maintenance shutdown of two of the three HPAL trains successfully completed in January and March 2017. Third HPAL train maintenance shutdown scheduled for May 2017.

Star Mountains (Copper/Gold Porphyry Exploration)

- Exploration drilling campaign advanced steadily.
- Four holes completed for 3300 metres. Final hole for current program being drilled.
- Initial assays confirm low grade copper mineralisation.

Frieda River Copper Gold Project (Highlands 20%, GRAM/PanAust 80%)

- Project permitting activities progressing.
- Frieda River feasibility study Addendum received, which shows improved project economics.
- Final independent peer review of feasibility study and Addendum received from Behre Dolbear Australia.

Sewa Bay

- Airborne laser and imagery (LIDAR) survey completed. Results due in May.

Corporate

- On 14 February, PanAust Ltd (wholly owned by Chinese company Guangdong Rising Assets Management Co. Ltd.) requisitioned a Special Meeting of the Company, seeking to replace four existing directors with three PanAust nominees.
- Highlands Directors unanimously recommend that shareholders vote against the PanAust resolutions at the Special Meeting, scheduled to be held in Port Moresby on 18 May, immediately following the Annual General Meeting.
- Mr Ron Douglas appointed Chairman following retirement of Mr Ken MacDonald, and Mr John Wylie appointed to the Board replacing Mr Mike Carroll.
- Cutfield Freeman & Co appointed to investigate the potential sale for our interest in the Frieda River project.
- Business development and acquisition opportunities being reviewed with a focus on copper and precious metals projects that are close to production.
- Cash totaled US\$9.7 million (A\$12.7 million) at the end of March 2017.

Managing Director Craig Lennon said Highlands Pacific was making steady progress in the development of its asset portfolio, and was well positioned to benefit from increases in commodity prices over the medium term.

"The production levels and margins being achieved at Ramu are pleasing, especially at a time where forecasters are predicting an improving nickel price and we have an improving cobalt price driven by the electric battery market. This good news on Ramu and the appointment of a new Chairman to Highlands has been unfortunately overshadowed by the board spill brought on by PanAust. We are hopeful, backed by strong shareholder support, that this distraction will be resolved and Highlands can focus on getting on with business."



About 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 75 km 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: The mine's operator and majority owner is Hong Kong and Shanghai listed Metallurgical Corporation of China Limited (MCC). MCC is a multi-asset multi-disciplinary company, well known for its strength in scientific research, industrial engineering practice and international trading. MCC hold a 61% interest in MCC Ramu NiCo Limited (which holds an 85% interest in the Mine), with a number of other Chinese end user entities holding the remaining 39%.

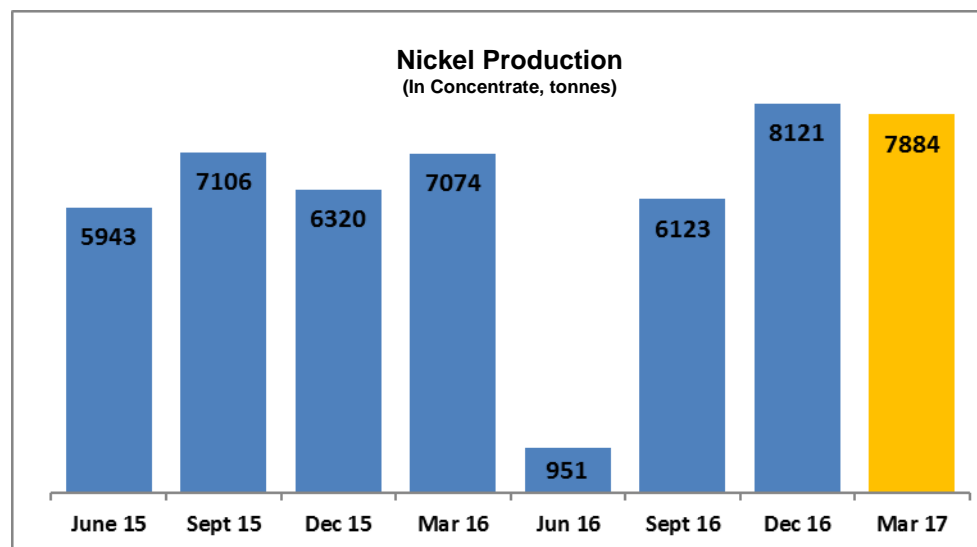
RAMU NICKEL COBALT MINE (8.56% with potential to move to 20.55%)

The Ramu nickel/cobalt mine exceeded internal production targets for the March quarter.

The mine achieved total production of 7884 tonnes of nickel in concentrate and 755 tonnes of cobalt in concentrate in the quarter, despite scheduled maintenance of two of the process plant's three autoclaves for 12 days each during the period.

Adjusted for the maintenance shut-downs, the plant is running at an annual production rate of some 34,600 tonnes of nickel and more than 3300 tonnes of cobalt per year, which is exceeding design capacity and demonstrates the success of recent initiatives to lift throughput rates.

	2016 Mar Qtr	2016 June Qtr	2016 Sept Qtr	2016 Dec Qtr	2017 Mar Qtr
Ore Processed (dry kt)	725	88	613	844	809
MHP Produced (dry t)	17,848	2,439	16,218	21,319	20,143
Contained Ni (t)	7,074	951	6,123	8,121	7884
Contained Co (t)	694	93	589	815	755
MHP shipped (dry t)	17,467	12,684	12,281	21,875	19,397
Contained Ni (t)	6,786	4,968	4,706	7,739	7,411
Contained Co (t)	664	489	448	775	721



Production in the June quarter of 2017 will be affected by planned maintenance shutdown for the third HPAL train.

Financial Performance

The Ramu operation realised a net cash inflow (unaudited) of US\$27.6 million for the March quarter, after capital expenditure of US\$2.7 million. Highland's share of net cash inflow will be applied to repayment of a working capital loan accumulated during the previous two years (resulting from operational losses) until repaid. Upon repayment of this working capital loan, which could occur during the second half of 2017 at current commodity prices, Highlands will be entitled to 20% of operating surpluses. The remaining 80% will be applied to the repayment of Highland's share of borrowings for the development of the project. Once all borrowings have been repaid, Highlands' interest in Ramu will increase to 11.3% at no cost to Highlands.


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

Kurumbukari			
Category	MT	Ni(%)	Co(%)
Measured	36	0.9	0.1
Indicated	7	1.4	0.1
Inferred	4	1.2	0.1
Total	46	1.0	0.1

Ramu West			
Category	MT	Ni(%)	Co(%)
Indicated	17	0.8	0.1
Inferred	3	1.5	0.2
Total	20	0.9	0.1

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

Global Total	MT	Ni(%)	Co(%)
	126	1.0	0.1

Competent Persons Statement: The information in this report that relates to Ramu Mineral Resources is based on information compiled by Mr Larry Queen, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Queen was a full-time employee of Highlands Pacific, now a consultant to Highlands Pacific, 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 Queen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Ramu Ore Reserve

Kurumbukari				
Category	MT	Ni(%)	Co(%)	Rocks +2mm MT
Proved	31	0.9	0.1	
Probable	6	1.3	0.1	9
Total	37	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(%)	
	51	1.0	0.1	9

Competent Persons Statement: Details contained in this report that pertain to the Ramu Ore Reserve Estimate are based upon, and fairly represent, information and supporting documentation compiled by Mr Patrick Smith, a Member of The Australasian Institute of Mining and Metallurgy CP (Min) and a full-time employee of AMC Consultants Pty Ltd. Mr Smith 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 Smith 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 mine is extracted from the report entitled: "Update Resources of the Ramu Nickel-Cobalt Operation, PNG" prepared March 2016 and available on the Company website. This information is current to 31 December 2015. Highlands Pacific confirms that the reported Resource and Reserve do not reflect depletion that has occurred since 31 December 2015 because of mining operations. An updated Resource and Reserve is currently being prepared by Ramu NiCo Management (MCC) Limited. A complete update for the Ramu Ni/Co Mine Resource and Reserve will be released by Highlands Pacific when an update is available from Ramu NiCo Management (MCC) Limited. 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 675km²

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 hole program being completed

STAR MOUNTAINS COPPER/GOLD PORPHYRY EXPLORATION

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

Four holes have now been completed for a total of 3300 metres, with a fifth and final hole having commenced since quarter end. Results for the first two holes were released in early March and confirmed mineralisation at the Unfin and Fune targets.

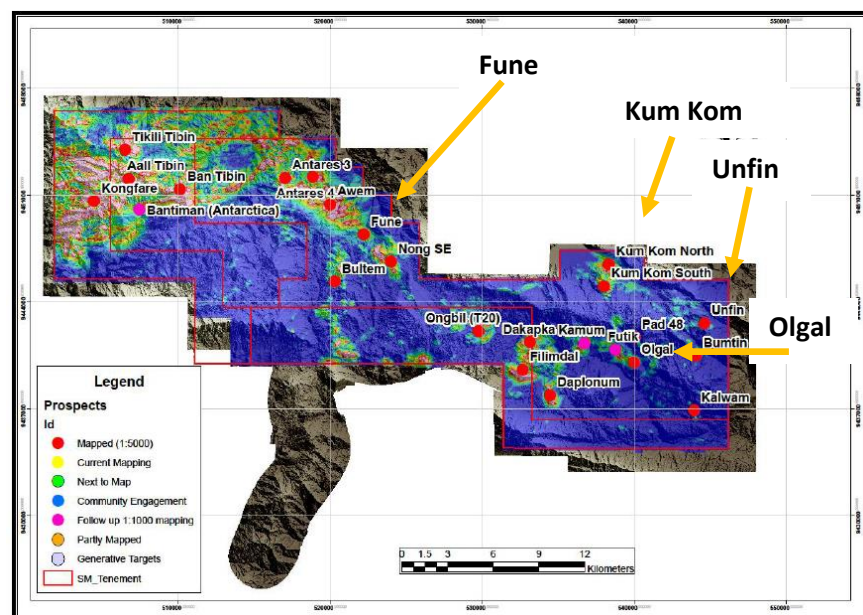
At Unfin, the first hole reached a depth of 1061 metres and encountered extended zones of low grade copper and gold mineralisation as well as some higher grade intercepts including:

Unfin (001UNF16).

8.7 m @ 0.02 g/t Au and 0.64% Cu from 777.9m and;

4.1m @ 0.05 g/t Au and 0.67% Cu from 905.4m.

DRILLING LOCATIONS TO DATE



At Fune the first hole reached a depth of 750 metres and also encountered extended low grade zones with intercepts including:

Fune (001FUN16)

6.2m @ 0.03 g/t Au and 0.26% Cu from 244m

8m @ 0.03 g/t Au and 0.32% Cu from 372m

For full details see ASX release of March 9 entitled "Star Mountains drilling results - March 2017"

Since the release of the results from these holes, two additional holes have been completed.

At Unfin, hole 002UNF17 was terminated at a depth of 789.7m, having successfully identified the extremity of potentially mineralised material. Initial assays for the top portions of the hole showed presence of low grade copper mineralisation.



At Fune, hole 002FUN17 was terminated at a depth of 665.5 metres having tested the skarn type target without encountering indications of porphyry style mineralisation.

A third hole at Fune is underway to test an area identified by significant geochemical soil anomalies and a coincident EM anomaly, with a planned depth of 600 metres.

Additional geophysical fieldwork has commenced to assist in identifying further targets. An Audio-magnetotelluric (AMT) survey, which is a ground station based geophysical method, is being conducted over six prospects to test deeper and more subtle anomalies.



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 2.8 billion tonnes of mineral resource containing approximately 13 Mt of copper and 21 Moz of gold.

FRIEDA RIVER COPPER - GOLD PROJECT (20%)

The Frieda River project continued to make progress during the March quarter with permitting activities ongoing. The PNG Minerals Resource Authority, who assess the Special Mining Lease (SML) application for the PNG Government, is targeting completion by June 2016. The PNG National elections taking place in June/July may impact this date. The PNG Conservation Environment and Protection Authority is continuing to assess the Environmental Impact Statement (EIS) which was lodged in December 2016.

Project specific activities during the quarter included the investigation of value accretive opportunities, including the development of the Frieda River Hydro Electric Project (FRHEP), shared use infrastructure, development of the Nena deposit and site layout alternatives. The FRHEP is aimed at identifying a different alternative to that included in the feasibility study and SML application with the aim of generating power above the requirements of the Frieda mine.

On 3 March, Highlands announced it had received a "Feasibility Report Addendum (January 2017)" from its joint venture partner and manager.

The Addendum updated the initial Frieda River feasibility study released in May 2016. (See ASX release of 19 May, 2016 entitled "Frieda Study Received")

The Addendum incorporated information subsequent to the completion of the initial feasibility study, which addressed some of the issues raised in an independent peer review conducted by engineering consultants Behre Dolbear Australia (BDA). (See ASX release of 19 January entitled "Frieda River Feasibility Study Review Received".

Since the end of the quarter, Highlands has received the final report from Behre Dolbear Australia. The report concluded that the Feasibility Study and January 2017 Addendum together provided a study of a standard that could be provided to lenders for consideration of finance.

(For further details see the ASX announcement released of 6 April 2017, entitled "Frieda River Feasibility Study Addendum Update".)



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 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 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

Competent Person Statement: Details contained in this report that pertain to the Nena 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 Resource and 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 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.

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, to provide detailed topographical mapping. Results are due in May. The exploration program has been funded by Sojitz and Pacific Metals.

CORPORATE

In mid-February, PanAust Ltd (wholly owned by Guangdong Rising Assets Management Company of China) requisitioned a Special Meeting of the Company, seeking to replace four of the existing directors at that time (Ron Douglas, Dan Wood, Mike Carroll and Ken MacDonald) with three PanAust nominees. This would give the PanAust nominees effective control of a five person Board.

PanAust also has requested the removal of any additional directors appointed prior to the Special Meeting .

Since the PanAust requisition was received, Highlands has made changes to its Board of Directors as part of an orderly Board renewal process.

In March this year, Mr Ron Douglas was appointed Chairman replacing Mr Ken MacDonald, who retired following nine years in the role. Mr Douglas is a very experienced engineer, having held a number of senior management roles in the industry over the past 30 years.

Since the end of the March quarter, Mr John Wylie has been appointed a director, replacing Mr Mike Carroll, who also has stepped down after 9 years with the Company. Mr Wylie is the Chief Executive Officer of the PNG Sustainable Development Program, which holds an 11% interest in Highlands.

The current Highlands Directors, including those two directors who GRAM/PanAust is not seeking to be removed, unanimously recommend that shareholders vote against the resolutions at the Special Meeting. The Meeting is scheduled to be held in Port Moresby on 18 May, immediately following the Annual General Meeting.

Directors believe the Board spill would constitute a change of control of Highlands, without any payment or premium for control being paid to the Company's shareholders. Of particular concern is the potential for a conflict of interest to arise under a GRAM dominated board, due to GRAM's position as a joint venture partner and manager of the Frieda River project.

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. The initial response has been encouraging and we are continuing to work through the various options.

Cash totalled US\$9.7 million (A12.7 million) at the end of March 2017.



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 have been applied for during the quarter and will form part of the Star Mountains joint venture. EL2467 was granted during the quarter and forms 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")

31 March 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 0.7644.

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) *	(206)	(269)	(206)	(269)
- production (Ramu holding costs) *	(30)	(40)	(30)	(40)
- staff costs	(206)	(269)	(206)	(269)
- administration and corporate costs	(445)	(582)	(445)	(582)
1.4 Interest received	25	33	25	33
1.5 Income taxes (paid)/refund	-	-	-	-
1.6 Other - management fees received from JV management	178	233	178	233
1.7 Net Operating Cash Flows	(684)	(894)	(684)	(894)
Cash flows from investing activities				
2.1 Payments to acquire: property, plant and equipment	(2)	(3)	(2)	(3)
2.2 Proceeds from the disposal of: - investments	-	-	-	-
2.3 Other - JV contributions received	3,000	3,925	3,000	3,925
Other - JV contributions expended	(3,279)	(4,290)	(3,279)	(4,290)
2.4 Net cash from / (used in) investing activities	(281)	(368)	(281)	(368)

* Includes staff costs pertaining to these projects



Cash flows from financing activities				
3.1 Proceeds from issue of shares	(5)	(6)	(5)	(6)
3.2 Repayment of borrowings	-	-	-	-
3.3 Net cash from / (used in) financing activities	(5)	(6)	(5)	(6)
Net increase (decrease) in cash and cash equivalents for the period	(970)	(1,268)	(970)	(1,268)
4.1 Cash and cash equivalents at beginning of the period	10,526	14,547	10,526	14,547
4.2 Net cash from / (used in) operating activities (item 1.7 above)	(684)	(894)	(684)	(894)
4.3 Net cash from / (used in) investing activities (item 2.4 above)	(281)	(368)	(281)	(368)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(5)	(6)	(5)	(6)
4.5 Effect of movement in exchange rates on cash held	175	(549)	175	(549)
4.6 Cash and cash equivalents at end of period	9,731	12,730	9,731	12,730

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	3,438	4,498	4,408	6,092
5.2 Call deposits	-	-	-	-
5.3 Bank overdrafts	-	-	-	-
5.4 Other short-term deposits	6,293	8,232	6,118	8,455
5.5 Cash and cash equivalents at the end of quarter	9,731	12,730	10,526	14,547

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)	100	131
9.2 Development	-	-
9.3 Ramu Production – Holding Costs (joint venture costs funded by MCC)	30	39
9.4 Staff costs	210	275
9.5 Administration and corporate costs	200	262
9.6 Other	-	-
9.7 Total estimated cash outflows	540	707

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 <i>(description)</i>				
7.2 Issued during quarter				
7.3 + Ordinary securities	935,915,836	935,915,836		
7.4 Issued during quarter	8,138,750	8,138,750	Nil	Nil
+ Convertible debt securities <i>(description and</i>				
7.5 <i>conversion factor)</i>				
7.6 Issued during quarter				
7.7 Options <i>(description and conversion factor)</i>	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)	8,138,750	Nil	n/a	n/a
7.10 Expired & lapsed during quarter (Options & PR's)	4,466,250	Nil	n/a	n/a
7.11 Debentures	Nil	Nil		
<i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>	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: 26 April 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

Performance Rights exercised during the quarter

Details	Issued
Exercise Price	A\$0.00
Number of Performance Rights	8,138,750
Expiry Date	31 Dec 2016

Performance Rights lapsed during the quarter

Details	Issued
Exercise Price	A\$0.00
Number of Performance Rights	4,466,250
Expiry Date	31 Dec 2016