



Quarterly Activities Report - for the period ended 30 September 2017

ASX Code: HIG

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

Market Cap: A\$61m (6.5c-per-share)

Cash at bank: A\$8.9m

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*

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%*)

- Production of 8,549 tonnes of nickel and 808 tonnes of cobalt achieved in September quarter, which followed the record production in the June quarter and was the second-highest quarterly output achieved by the operation to date.
- Project net cash inflow (unaudited) of US\$40 million for the September quarter, after capital expenditure of US\$6 million. YTD project net cash inflow (unaudited) US\$120 million, after capital expenditure of US\$10 million.
- Cash operating margins for the September quarter averaged approximately US\$5,260/t nickel, after cobalt credits.
- Highlands on track to receive maiden distribution for the 2015 to 2017 period when the audited joint venture accounts are finalised in March 2018.

Star Mountains Copper Gold exploration (*Highlands 49%*)

- Exploration drilling campaign concluded.
- Seven holes completed for approximately 5,620 metres.
- Assays confirm extensive copper mineralisation in all but one hole.
- Results being reviewed to determine future exploration plans.

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

- Project permitting continues to be considered by the various PNG Government departments.
- Studies on possible redesign and refinement of project components are being undertaken by the manager.
- Arbitration commenced with PanAust to confirm joint venture funding obligations and is on-going.
- Process continuing to identify options to realize Frieda project value.

Sewa Bay Nickel (*Exploration*)

- No activity for the quarter.

Corporate

- Potential acquisitions being explored with a focus on base and precious metals projects that are close to production.
- Cash totaled US\$7 million (A\$8.9 million) at the end of September 2017.

Managing Director Craig Lennon said he was delighted with the strong operational performances achieved in the September quarter at the Ramu operation, which recorded its second-highest production result.

“Ramu is performing exceptionally well, achieving consistently strong production rates just as we are seeing a solid increase in prices for nickel and cobalt. The operation is perfectly positioned to benefit from the anticipated surge in global demand for battery metals in coming years. The Star Mountains exploration campaign has concluded for the year and results are now being reviewed to determine future exploration plans, however we remain enthusiastic about the potential for the project. And at Frieda River, increasing global copper prices have the potential to significantly improve the economics for the project,” 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 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.

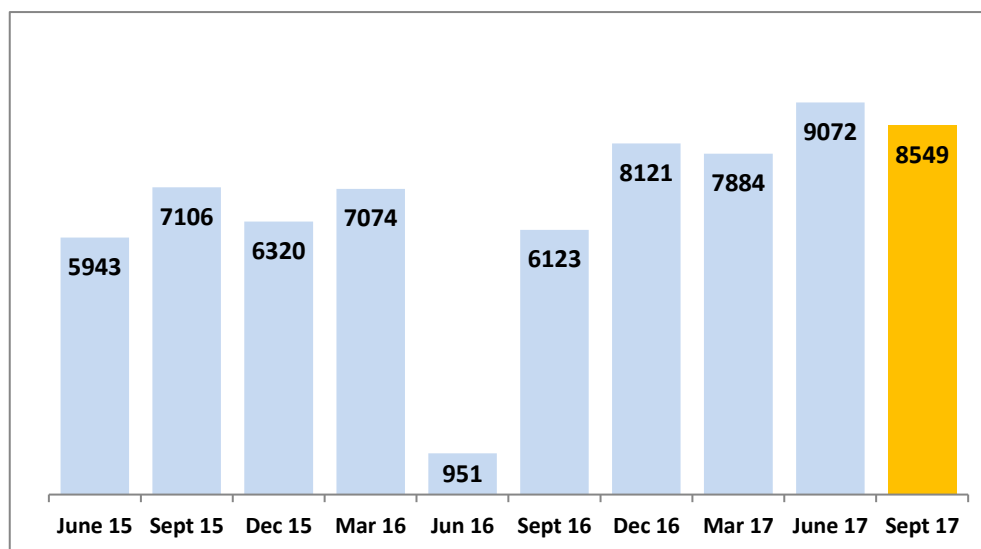
About MCC: Metallurgical Corporation of China Limited is the operator of the project. MCC is a multi-asset company, well known for its strength in scientific research, industrial engineering practice and international trading. MCC holds a 61% interest in MCC Ramu NiCo Limited (which holds an 85% interest 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 continued to achieve strong production results in the September quarter, building on the record output achieved in the June quarter by posting the second highest quarterly nickel production to date.

The operation achieved total output of 8,549 tonnes of nickel and 808 tonnes of cobalt in concentrate in the quarter, as the process plant continued to achieve throughput rates well above design capacity. The strong result was achieved despite a planned maintenance shutdown of one of the three production trains for two weeks in August.

| | 2016 Sept Qtr | 2016 Dec Qtr | 2017 Mar Qtr | 2017 Jun Qtr | 2017 Sept Qtr |
|-------------------------------|------------------|-----------------|-----------------|-----------------|------------------|
| Ore Processed (dry kt) | 613 | 844 | 809 | 936 | 897 |
| MHP Produced (dry t) | 16,218 | 21,319 | 20,143 | 23,717 | 22,156 |
| Contained Ni (t) | 6,123 | 8,121 | 7,884 | 9,072 | 8,549 |
| Contained Co (t) | 589 | 815 | 755 | 869 | 808 |
| MHP shipped (dry t) | 12,281 | 21,875 | 19,397 | 29,703 | 22,907 |
| Contained Ni (t) | 4,706 | 7,739 | 7,411 | 11,249 | 8,857 |
| Contained Co (t) | 448 | 775 | 721 | 1,076 | 844 |



The quarter saw a continuation of the solid operating performance now being consistently achieved at Ramu, with mine production at Kurumbukari exceeding budget, enabling volumes of slurry transferred to the Basamuk process plant to exceed plan. Slurry grades averaged 1.1% for nickel and 0.11% for cobalt.

The Basamuk process plant continued to achieve strong performance following the completion of planned maintenance work on the third train in August.



Financial Performance

The Ramu operation's financial performance benefited from strong cobalt and nickel prices in the quarter, with nickel trading above US\$12,200/t in September before retracting late in the period to approximately US\$11,000/t. Cobalt also spiked to more than US\$61,000/t in September before easing to current levels around US\$60,000/t. The operation realised a net cash inflow (unaudited) of US\$40 million for the September quarter (US\$120 million YTD after capital expenditure of US\$10 million).

Average revenue received per tonne of nickel sold in the September quarter was approximately US\$11,860/t, including cobalt credits and net of selling costs and payable charges. Cash operating margins generated during the quarter averaged approximately US\$5,260/t, after cobalt credits.

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 should be received by Highlands for the 2015 to 2017 period when the audited joint venture accounts are finalised in March 2018. Current estimates are for a distribution in excess of US\$1 million with more than US\$10 million being applied to the outstanding loan balance, including accrued interest.

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. As at 30 June 2017 the loan balance was US\$128 million.



Ramu Mineral Resources 31 Dec 2016 (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.



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.



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.

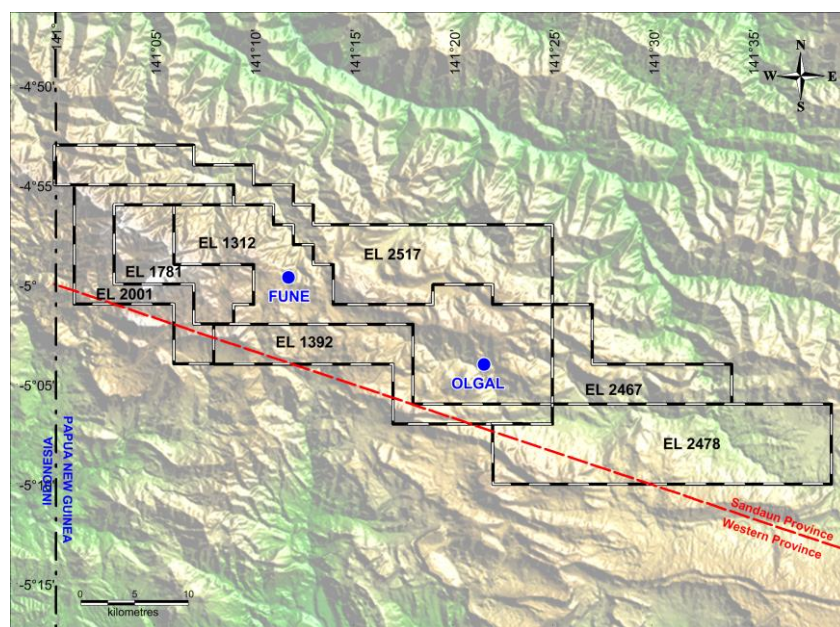
2016/17 Exploration Program: Seven holes completed, with sixth hole being drilled

STAR MOUNTAINS COPPER/GOLD PORPHYRY EXPLORATION

The 2017 drilling campaign at Star Mountains was completed during the quarter. The campaign has involved seven diamond drill holes for a total depth of approximately 5,620 metres, with four holes drilled at the Fune prospect, two holes at Unfin and one hole at Olgal. During the quarter, the fourth hole at Fune was completed, with assay results confirming extensive mineralised zones including the following intercepts at 0.1% cut off:

- 47.0m @ 0.33% Cu, 0.09g/t Au, from surface, including:
 - 2.6m @ 0.84% Cu, 0.46g/t Au, from 4.8m
 - 2.0m @ 0.60% Cu, 0.03g/t Au, from 27m
- 26.8m @ 0.97% Cu, 0.34g/t Au, from 136m
- 24.9m @ 0.59% Cu, 0.17g/t Au, from 258.1m, including:
 - 1.9m @ 0.76% Cu, 0.22g/t Au, from 258.1m
 - 13.0m @ 0.88% Cu, 0.25g/t Au, from 268m
- 48.0m @ 0.44% Cu, 0.23g/t Au, from 339m, including:
 - 13.0m @ 0.58% Cu, 0.23g/t Au, from 341m
 - 2.7m @ 0.54% Cu, 0.32g/t Au, from 364m
 - 1.7m @ 0.72% Cu, 0.43g/t Au, from 373.3m
 - 4.0m @ 0.82% Cu, 0.60g/t Au, from 383m

For full details see ASX releases of August 28 and September 13, 2017.



Drilling locations and tenements

The final hole, at Olgal, was completed in September, having reached a depth of approximately 440 metres. Assay results for the hole did not return any significant mineralised intercepts.



Further work is currently being assessed at Fune to increase the understanding of the available geological information over the remainder of the prospect area to assess the wider area for skarn continuity of the higher-grade zones. Similarly, the potential of the higher grades at Olgal needs to be further studied.

Results will be fully assessed over the coming months and incorporated into the 2018 field-work program.

Current site work is focussed on care and maintenance pending decisions on next year's work program



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%)

Permitting and Project Redesign

The Special Mining Lease application and Environmental Impact Statement for the Frieda River Project continue to be considered by the PNG Mineral Resources Authority and Conservation and Environment Protection Authority.

The schedule for conclusion of the permitting process remains uncertain, however the Government has nominated the Frieda River Project as an important priority for the country.

Studies on potential redesign and refinement of project components are being undertaken by the manager. The impact that these studies may have on the permitting process is unknown at this stage.

Arbitration Proceedings

Arbitration proceedings to resolve a dispute between Highlands and PanAust regarding funding of project expenditure commenced during the quarter and are progressing. At this stage it is uncertain how long this process will take.

The parties are in dispute regarding their obligations under the joint venture agreement, including whether Highlands is obliged to commence funding of project expenditures. The parties have agreed to seek a final and binding arbitration before a sole arbitrator. If Highlands is unsuccessful in the arbitration process then it will consider using its right to dilute its interest in the project in lieu of making funding contributions. With the project having significant sunk costs, the rate of dilution is relatively small (approximately 1% for US\$25 million of joint venture expenditure).

Frieda River sale process

As previously announced, Highlands is undertaking a process seeking to maximise the value of its interest in the Frieda River project, and has appointed advisers Cutfield Freeman and Co to investigate opportunities including a potential sale. This process requires significant assessment and analysis by potential partners and is continuing, however it may or may not lead to a transaction being completed.



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 discussions regarding exploration activities at the Sewa Bay tenements in Milne Bay Province, where significant nickel mineralisation previously has been identified.

The exploration program to date has been funded by Sojitz and Pacific Metals. There was no activity undertaken during the quarter.

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, 2467, 2478 and 2571 | 49% - Note 1 | 49% - Note 1 | 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 – nil.

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 September 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 0.7839.

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, Esa'ala and Star Mountains holding costs) * | (218) | (278) | (535) | (682) |
| - production (Ramu holding costs) * | (41) | (52) | (99) | (126) |
| - staff costs | (280) | (357) | (739) | (943) |
| - administration and corporate costs | (286) | (365) | (1,411) | (1,800) |
| 1.4 Interest received | 33 | 42 | 86 | 110 |
| 1.5 Income taxes (paid)/refund | - | - | - | - |
| 1.6 Other - management fees received from JV management | 87 | 111 | 428 | 546 |
| 1.7 Net Operating Cash Flows | (705) | (899) | (2,270) | (2,895) |
| 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 | 2,503 | 3,193 | 7,203 | 9,189 |
| Other - JV contributions expended | (2,835) | (3,617) | (8,726) | (11,131) |
| 2.4 Net cash from / (used in) investing activities | (332) | (424) | (1,525) | (1,945) |

* Includes staff costs pertaining to these projects



| | | | | |
|--|--------------|--------------|--------------|--------------|
| Cash flows from financing activities | | | | |
| 3.1 Proceeds from issue of shares | - | - | (5) | (6) |
| 3.2 Repayment of borrowings | - | - | - | - |
| 3.3 Net cash from / (used in) financing activities | - | - | (5) | (6) |
| Net increase (decrease) in cash and cash equivalents for the period | (1,037) | (1,323) | (3,800) | (4,846) |
| 4.1 Cash and cash equivalents at beginning of the period | 7,953 | 10,340 | 10,526 | 14,547 |
| 4.2 Net cash from / (used in) operating activities (item 1.7 above) | (705) | (899) | (2,270) | (2,895) |
| 4.3 Net cash from / (used in) investing activities (item 2.4 above) | (332) | (424) | (1,525) | (1,945) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | - | - | (5) | (6) |
| 4.5 Effect of movement in exchange rates on cash held | 15 | (175) | 205 | (859) |
| 4.6 Cash and cash equivalents at end of period | 6,931 | 8,842 | 6,931 | 8,842 |

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 | 1,574 | 2,008 | 1,632 | 2,122 |
| 5.2 Call deposits | - | - | - | - |
| 5.3 Bank overdrafts | - | - | - | - |
| 5.4 Other short-term deposits | 5,357 | 6,834 | 6,321 | 8,218 |
| 5.5 Cash and cash equivalents at the end of quarter | 6,931 | 8,842 | 7,953 | 10,340 |

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) | 52 | 66 |
| 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 | 255 |
| 9.2 Development | - | - |
| 9.3 Ramu Production – Holding Costs (joint venture costs funded by MCC) | 30 | 38 |
| 9.4 Staff costs | 280 | 357 |
| 9.5 Administration and corporate costs | 285 | 364 |
| 9.6 Other | - | - |
| 9.7 Total estimated cash outflows | 795 | 1,014 |

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 | Nil | Nil | 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) | 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 | | |
| <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: 24 October 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

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

| Criteria | JORC Code explanation | Commentary |
|------------------------------|--|--|
| <i>Sampling techniques</i> | <ul style="list-style-type: none"> <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> <i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> | <ul style="list-style-type: none"> Sampling reported for the Star Mountains is for ½ PQ, HQ or NQ diameter diamond drill core Holes were generally steeply dipping (>60°) Hole azimuths were generally planned to perpendicularly intercept any known or inferred structural trends. Sampling was done on sawn half core. Consistency of sampling method was maintained by reference to a written protocol Sampling method is considered appropriate for both porphyry and skarn mineralization |
| <i>Drilling techniques</i> | <ul style="list-style-type: none"> <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> | <ul style="list-style-type: none"> All holes drilled by Highlands Pacific are triple tube diamond core. Holes were collared in PQ and reduced to HQ and NQ as required. The core was un-oriented. |
| <i>Drill sample recovery</i> | <ul style="list-style-type: none"> <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> | <ul style="list-style-type: none"> Recoveries recorded on a drill run and sample length basis There were some zones of poor recovery in near surface leached and oxidized zones and in intensely altered shear zones Recovery is good. Most holes average better than 90% recovery in the mineralized zones. No evidence of grade bias with recovery |
| <i>Logging</i> | <ul style="list-style-type: none"> <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> <i>Whether logging is qualitative or quantitative in nature. Core (or</i> | <ul style="list-style-type: none"> All holes were geologically and geotechnically logged to a detail and standard appropriate for mineral resource estimation. The logs are qualitative/semi-quantitative and record lithology, alteration, mineralogy, mineralization, weathering, strength, fracture numbers and orientation and other relevant features of the core. All |

| Criteria | JORC Code explanation | Commentary |
|--|--|--|
| | <ul style="list-style-type: none"> costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. | <ul style="list-style-type: none"> the core is photographed before it is sampled All core recovered is logged. |
| Sub-sampling techniques and sample preparation | <ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. | <ul style="list-style-type: none"> Samples are taken by cutting the core in half using a diamond saw. No non-core samples were taken. Except at strong boundaries, are taken on a consistent 2m interval down hole. Sampling protocol is documented with a flow sheet. Half core samples bagged and dispatched to ALS or Intertek labs in Townsville for crushing, grinding and assay. All sample methods and sample sizes are deemed to be appropriate and are similar to the sampling protocol used at Frieda River. |
| Quality of assay data and laboratory tests | <ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. | <ul style="list-style-type: none"> All drill core samples were assayed using a HF-HNO3-HClO4 acid digest with HCl leach and ICP-AES finish. Gold assay by 50 gram fire assay Assaying carried out by ALS Townsville or by Intertek Townsville, both accredited labs. Extensive QAQC programme with standards, blanks, laboratory duplicates & secondary lab checks. Outcomes indicate acceptable precision and no obvious biases |
| Verification of sampling and assaying | <ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. | <ul style="list-style-type: none"> Significant intersections have been verified by the Competent Person and the Star Mountains Project geologists There have been no twinned holes Highlands Pacific has a series of written protocols relating to sampling, logging, data entry, data checking and data storage There have been no adjustments to the assay data. |
| Location of data points | <ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. | <ul style="list-style-type: none"> Drill hole collars are located by GPS. Elevations were extracted from a LiDAR DEM that Highlands had prepared over the prospect areas. Expected accuracy is +/- 5 m for northing and easting and +/- 5 m for elevation coordinates AMG66 , Zone 54 Topographic control is from a LiDAR survey flown over the area in 2010. A 2 m grid was prepared from the LiDAR. |

| Criteria | JORC Code explanation | Commentary |
|--|--|--|
| <i>Data spacing and distribution</i> | <ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> • <i>Whether sample compositing has been applied.</i> | <ul style="list-style-type: none"> • Drill holes in the Olgal deposit are spaced on roughly 300 x 300m centers. Other prospects have only been scout drilled with two to three holes. • Downhole sampling is generally 2m • Compositing has only been applied for reporting purposes as detailed in Section 2 |
| <i>Orientation of data in relation to geological structure</i> | <ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> | <ul style="list-style-type: none"> • The deposits being investigated in the Star Mountains are Cu-Au porphyries. The mineralization appears to be stockworks with no dominant structural direction. • Drilling orientation is believed appropriate with no bias. Where structural control is suggested either by mapping or geophysical trends the drill hole are oriented to perpendicular to the structures. |
| <i>Sample security</i> | <ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> | <ul style="list-style-type: none"> • Chain of custody is managed by the Star Mountains Project JV. Samples are collected and stored on site by Star Mountains Project personnel. Half core samples are shipped directly to ALS or Intertek Townsville by freight courier. Tracking sheets have been set up to track the progress of sample batches. |
| <i>Audits or reviews</i> | <ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> | <ul style="list-style-type: none"> • No audits or reviews have been carried out at this stage. |

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|--|---|--|
| <i>Mineral tenement and land tenure status</i> | <ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. | <ul style="list-style-type: none"> The results reported for the Star Mountains fall under the four Exploration Licenses (EL 1312, 1392, 1781, 2001) that Highlands Pacific holds in the Star Mountains, Sanduan and Western Provinces, Papua New Guinea. The licenses issued under the authority of the PNG Mining Act (1992) The Star Mountains tenements are subject to the terms of a Joint Venture with Anglo American. The terms of the Joint Venture are detailed in an announcement released 11 February 2015 and available on the Highlands Pacific website. |
| <i>Exploration done by other parties</i> | <ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. | <ul style="list-style-type: none"> Porphyry copper and gold mineralization was discovered in the area in late 1960s by Kennecott. In 1971 Kennecott drill five holes in the Futik and Olgal prospects. Between then and 2001 when Highlands acquired the ground a number of companies including BHP, CRA, Newcrest and OTML carried out mapping and sampling programs focused mainly on the previously identified prospects. The work by these companies is considered reliable and has been used to guide Highlands Pacific's work. |
| <i>Geology</i> | <ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. | <ul style="list-style-type: none"> The mineralization so far identified in the Star Mountains consists of Cu-Au porphyries (Olga, Futik, Rattat, Kum Kom) and associated Cu-Au skarns (Kum Kom). |
| <i>Drill hole Information</i> | <ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. | <ul style="list-style-type: none"> Refer to Annexure 1 in body of text |

| Criteria | JORC Code explanation | Commentary |
|---|--|--|
| <i>Data aggregation methods</i> | <ul style="list-style-type: none"> <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i> <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> | <ul style="list-style-type: none"> All reported assays have been length weighted. No top-cuts have been applied. A nominal 0.1% Cu lower cut-off is reported as significant in the context of geological setting. High grade copper internals (>0.5% Cu) to broader zones of copper mineralization are reported as included intervals. Reported intervals may include up to 6m meters of internal waste. No metal equivalent values are used for reporting exploration results. |
| <i>Relationship between mineralisation widths and intercept lengths</i> | <ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i> | The geometry of the mineralization is not known. All reported lengths are down hole lengths. True widths are unknown. |
| <i>Diagrams</i> | <ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> | <ul style="list-style-type: none"> Refer to Figures in the report |
| <i>Balanced reporting</i> | <ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> | <ul style="list-style-type: none"> All results are reported at a 0.1% Cu cut-off. No top cut has been applied. |
| <i>Other substantive exploration data</i> | <ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> | <ul style="list-style-type: none"> Since 2001 in addition to the diamond core drilling, the following work has been under taken on the Star Mountains tenements: Prospect scale mapping and surface sampling at Olgal, Futik, Kum Kom, Nong River and Bumtim In 2005, a 200m line spacing heli-borne magnetic/radiometric survey In 2010 and 2015, LiDAR surveys to cover all of the Star Mountains tenements In 2015, a 100m line spacing heli-borne magnetic/radiometric survey In 2015, IP and AMT surveys orientation surveys over Olgal and Kum Kom In 2015, prospect scale mapping over Tifalmin prospects In 2016 a helicopter borne ZTEM survey was flown over ELs 1312, |

| Criteria | JORC Code explanation | Commentary |
|---------------------|---|---|
| | | <p>1392, 1781 and 2001</p> <ul style="list-style-type: none"> In 2017 a ground AMT survey over Olgal, Futik, Fune, Unfin, Bumtim and Tuk |
| <i>Further work</i> | <ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> | <ul style="list-style-type: none"> Highlands is currently carrying out exploration drilling on the Fune prospect. AMT surveys are currently being carried out over Unfin, Tuk and Bumtim and Fune |



| Hole | North | East | Level | Azimuth | Dip | Total Depth (m) |
|-----------------|--------|---------|-------|---------|-----|-----------------|
| 021OLG17 | 540253 | 9439756 | 2068 | 225 | -55 | 441.2m |

Notes:

The following statements apply to the Star Mountain exploration results:

- *Mineralised intersections are quoted as down hole widths; true widths are not known. The porphyry mineralisation occurs as disseminations and vein stockworks. Quoted intercepts may include up to 6 m of internal waste.*
- *Collar locations are in UTM Zone 54 co-ordinates using the AMG66 horizontal datum.*
- *Drill core is PQ, HQ or NQ size.*
- *Assays were carried out on half sawn core. The unused half core is stored on site.*
- *Samples were analysed at Intertek in Townsville. Gold is by 50g fire assay and copper by ICP-AES on an aqua regia digest. Samples assaying greater than 0.5% Cu are re-assayed using an ore grade method suitable for higher grade samples.*
- *Hole positions are based on GPS survey of drill pads. Actual collars are within 10m of stated locations.*
- *Competent Persons Statement: The exploration results reported here are based on information compiled by Mr L.D. Queen who is a member of the Australian Institute of Mining and Metallurgy, and who is employed by Highlands Pacific Limited. Mr Queen has sufficient experience relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition". He consents to the inclusion in the report of the matters based on the information compiled by him in the form and context in which it appears.*



| Hole | From | To | Downhole Interval (m) | Cu (%) | Au (ppm) | Core Recovery % |
|--|-------|-----|-----------------------|--------|----------|-----------------|
| 021OLG17 results down hole at a 0.1% Cu lower cut-off | 0 | 8 | 8 | 0.21 | 0.27 | 52 |
| | 52 | 54 | 2 | 0.28 | 0.05 | 100 |
| | 92 | 94 | 2 | 0.12 | 0.05 | 100 |
| | 199.8 | 202 | 2.2 | 0.10 | 0.17 | 100 |
| Including the following intervals at a 0.5% Cu lower cut-off | | | | | | |