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21 March 2018

The Manager

Company Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Appendix 4G and Corporate Governance Statement

Please find attached Appendix 4G and Corporate Governance Statement in accordance with Listing Rules 4.7.3 and 4.10.3.

Yours sincerely

Sylvie Moser
Company Secretary

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Highlands Pacific Limited

ABN / ARBN:

18 075 075 517

Financial year ended:

31 December 2017

Our corporate governance statement² for the above period above can be found at:³

☒ These pages of our annual report:

☐ This URL on our website:

The Corporate Governance Statement is accurate and up to date as at 15 March 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 21 March 2018

Name of Director or Secretary authorising
lodgement:



Sylvie Moser
Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Board-Charter.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement – [in our Diversity Policy]</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/Diversity-Inclusion-Policy.com</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/Diversity-Inclusion-Policy.com</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement – (c)(1)</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com.pdf/Nomination-Committee-Charter.pdf</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com.pdf/Board-Charter.pdf</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
RINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> 2.1(a)(2) can be found in our Corporate Governance Statement and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Nomination-Committee-Charter.pdf</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> 2.1(a)(4) disclosed in our Corporate Governance Statement</p> <p>2.1(a)(5) disclosed in the Directors' Report to Shareholders section of the Highlands Pacific 2017 Annual Report.</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/asx-announcements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> 2.1(a)(1) an explanation why that is so in our Corporate Governance Statement</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
2.4	A majority of the board of a listed entity should be independent directors.	<p>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>... our code of conduct or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Code-of-Conduct-2012.pdf</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Audit-Committee-Charter.pdf</p> <p><input checked="" type="checkbox"/> For 4.1 (a)(4) the experience of members of the audit committee can be found in the Highlands Pacific 2017 Annual Report at Board of Directors section.</p> <p>... and the information referred to in paragraphs (5):</p> <p>For 4.1(5) Can be found in the Highlands Pacific 2017 Annual Report – Directors’ Report to Shareholders.</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/asx-announcements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p>	<p><input checked="" type="checkbox"/> For 4.1 (a)(1)(2) an explanation why that is so in our Corporate Governance Statement.</p>
4.2	<p>The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Disclosure.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Shareholder-Communication.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Disclosure.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at www.highlandspacific.com/Shareholder-Communication.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at www.highlandspacific.com/Shareholder-Communication.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/Risk-Management.pdf</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Risk-Management.pdf</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Risk-Management.pdf</p>	<p><input checked="" type="checkbox"/> 7.3(a) an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Remuneration-Committee-Charter.pdf</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/asx-announcements</p> <p>Can be found in the Highlands Pacific 2017 Annual Report – Directors' Report to Shareholders.</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> 8.1(a)(1) an explanation why that is so in our Corporate Governance Statement</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/asx-announcements</p> <p>Can be found in the Highlands Pacific 2017 Annual Report – Directors' Report to Shareholders.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at www.highlandspacific.com/pdf/Dealing-in-the-Company-Securities-by-Directors-and-Employees.pdf</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



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CORPORATE GOVERNANCE STATEMENT

This statement has been approved by the Board of the Company. The statement has been prepared as at 15 March 2018 with reference to the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board of Highlands Pacific is fully committed to the principle of best practice in corporate governance. The Company can ensure transparency and fair dealings with all stakeholders. Highlands takes an integrated approach to corporate governance to comply with the regulatory obligations associated with the two principal stock exchange listings in PNG and Australia.

In compiling this report the Directors have referred to the Australian Securities Exchange (ASX) Corporate Governance Council's 'Corporate Governance Principles and Recommendations' 3rd edition.

The Highlands Pacific Board has adopted the principles and recommendations and complies with them all except as identified below, at: 1.5, 1.7, 2.1, 2.4, 4.1, 7.1 and 8.1.

A summary of the following Highlands Corporate Governance policies can be obtained from the Company's website.

Board Charter
Code of Conduct
Audit Committee Charter
Nomination Committee Charter
Remuneration Committee Charter
Risk Management Charter
Dealing in the Company's Securities by Directors and Employee
Disclosure
Shareholder Communication
Diversity & Inclusion Policy
Environmental Policy
Occupational Health & Safety Policy.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

RECOMMENDATION 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its Board and management; and**
- (b) those matters expressly reserved to the Board and those delegated to management**

The Board of Directors has been charged by shareholders with overseeing the affairs of the Company to ensure that they are conducted appropriately and in the interests of all shareholders. The Board defines the strategic goals and objectives of the Group, as well as

broad issues of policy and establishes an appropriate framework of Corporate Governance within which the Board members and management and the Group's performance. The Board has also taken responsibility for establishing control and accountability systems/processes and for monitoring senior executive performance and implementation of strategy.

The Board is responsible for:

- reviewing and determining the Company's strategic direction;
- review and approve budgets and forecasts and set goals;
- appointment and remuneration of the Managing Director/Chief Executive Officer;
- review financial performance;
- approve acquisition and disposal of assets;
- review risk management and compliance;
- oversee the integrity of the Company's control and accountability systems;
- oversee the Company's processes for making timely and balanced disclosure;
- reporting to shareholders;
- compliance with all applicable laws and regulations; and
- monitoring the effectiveness of the Company's governance practices.

The day to day running and administration of the Company is currently overseen by the Company Secretary in conjunction with the Board. Where appropriate, consultants may be engaged to undertake specific projects or assignments consistent with the objectives and policies as set down by the Board.

RECOMMENDATION 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and**
- (b) provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.**

The Company undertakes appropriate checks before it appoints a person or, puts forward to shareholders a new candidate for election, as a Director. These checks include references as to the person's character, experience and education. The Company does not propose to check criminal records or the bankruptcy history for potential new Board members however, if deemed necessary or applicable in the future, may consider such checks.

The Company includes all material information in its possession relevant to a decision whether or not to elect or re-elect a Director in the relevant Notice of Meeting. Information relating to each of the Directors is also provided on the Company's website.

RECOMMENDATION 1.3

A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

The Company has written agreements with each Director and senior executive, which sets out the terms and conditions of their appointment including their obligations and responsibilities and their duties. Directors are not appointed for a fixed term, but are, excluding the Managing Director, subject to re-election by shareholders at least every three years, in accordance with the Constitution of the Company. It is a policy of the Company that any Director over 72 years of age submits themselves for re-election by the shareholders at each Annual General Meeting. Subject to maintaining the continuity of Board experience, a Non-Executive Director may not serve for more than 12 years.

A Director appointed to fill a casual vacancy or as an addition to the Board, only holds office until the next general meeting of shareholders and must then retire. After providing for the foregoing, one-third of the remaining Directors (excluding the Managing Director) must retire at each Annual General Meeting of shareholders.

RECOMMENDATION 1.4

The Company Secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is appointed on the basis that they will be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Directors have access to the Company Secretary who is appointed by the Board. The Company Secretary reports to the Chairman, in particular to matters relating to the corporate governance.

RECOMMENDATION 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;**
- (b) disclose that policy or a summary of it; and**
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:**
 - (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for the purposes); or**
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.**

Given the small size of the Company and the status of the Company's projects, the Directors believe that it is not appropriate at this stage to set measurable objectives in relation to diversity beyond those included in the Diversity and Inclusion Policy. Notwithstanding this, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Diversity and Inclusion Policy.

The Company considers that diversity refers to all the characteristics that make individuals different from each other. It includes characteristics or factors such as religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference.

At 31 December 2017:

Gender diversity report	Total positions	Held by women	% held by women
Board	3	-	-
Senior executives	3	1	33%
Other employees	3.5	1.5	60%
Total organisation	9.5	2.5	26%

RECOMMENDATION 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and**
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Board has adopted a yearly, self-evaluation process to measure its own performance and the performance of its committees. The nomination committee is responsible for periodically assessing the skill set currently represented on the Board – the nomination committee charter is located on the Company's website at: <http://www.highlandspacific.com/pdf/Nomination-Committee-Charter.pdf>.

The Board Charter is located on the Company's website at: <http://www.highlandspacific.com/pdf/Board-Charter.pdf>. During the reporting period, the Company has undertaken an evaluation of the performance of the Board, and its committees, however, not for individual Directors.

The Board believes that this approach is appropriate given its size and the nature of the Company's operations.

RECOMMENDATION 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and**
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Chairman reviews the performance of the Managing Director annually which is assessed against key performance indicators (KPIs) set by the Board Remuneration Committee and takes into account achievement and performance towards the Company's objectives and (where appropriate) performance benchmarks and the achievement of individual performance objectives.

The Managing Director reviews the performance of the senior executives annually, against agreed KPIs, taking into account achievement and performance towards the Company's objectives and individual performance objectives.

The Board also recognises the need for flexibility in defining performance objectives which must reflect the current status of the Company (as an exploration company) and the respective stages of its projects.

No formal performance evaluation of the Managing Director and senior executives was undertaken in respect of the reporting period 31 December 2017.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

RECOMMENDATION 2.1

The Board of a listed entity should:

- (a) have a nomination committee which:
 - (1) has at least three members, a majority of whom are independent Directors; and
 - (2) is chaired by an independent Director; and disclose
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company has established a nomination committee which operates under the guideline of a charter. The charter of the nomination committee is disclosed on the Company's website, at: <http://www.highlandspacific.com/pdf/Nomination-Committee-Charter.pdf>.

The committee has three members and is chaired by an independent Director. Due to the size of the Company and the composition of the Board, the majority of the committee members are not independent. The Chairman, Mr. R Douglas, a non-executive, independent Director, Mr. C Lennon, the executive Director (CEO) and Mr J. Wylie, a non-executive non-independent Director. The details of the members of the committee and their attendance to the committee meetings are disclosed in the Directors' Report section of the 2017 Annual Report.

At each annual general meeting, the following Directors retire:

- i. one third of Directors (excluding the Managing Director);
- ii. Directors appointed by the Board to fill a casual vacancy or otherwise; and
- iii. Directors who have held office for more than three years since the last general meeting at which they were elected.

RECOMMENDATION 2.2

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company evaluates the mix of skills and experience annually, although, diversity is recognised by the Board, given the size of the Company and the nature of its projects, is not the focus. At the end of the reporting period, the Board comprised of four Directors from diverse backgrounds with a range of skills, attributes and experience.

The following table demonstrates the skills and experience of the Directors across a spectrum that are considered relevant to the Company. Biographical information on each Director is contained in the 2017 Annual Report and on the Company's website.

Skills and Experience	Number of Directors
<u>Geology and Exploration</u> <ul style="list-style-type: none"> - Understanding JORC reporting requirements and what it means - Understanding significance of exploration results - Experience with understanding geotechnical issues (e.g. – dams/mine stability) 	1
<u>Mining operation</u> <ul style="list-style-type: none"> - Understanding the stages in the life of a mine: [prospecting, exploration, development, exploitation and reclamation] 	1
<u>Financial acumen</u> <ul style="list-style-type: none"> - Financial literacy - Understanding the requirements of financial reporting for public listed companies - Accounting, finance or business qualification 	4
<u>Governance & Legal</u> <ul style="list-style-type: none"> - Experience in the governance of listed organisations - Membership of governance bodies and organisations - Understanding of financing transactions - Shareholder rights 	2
<u>Mergers and Acquisitions</u> <ul style="list-style-type: none"> - Transactions within the resource sector (e.g. mergers, acquisitions, Joint Ventures, IPOs etc) 	2
<u>Fund raising</u> <ul style="list-style-type: none"> - Understanding the requirements to fund raising in a public listed company 	1

RECOMMENDATION 2.3

A listed entity should disclose:

- (a) the names of the Directors considered by the Board to be independent Directors;**
- (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 (of ASX Corporate Governance Principles and Recommendations) but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and**
- (c) the length of service of each Director.**

In the opinion of the Board, to qualify as being “independent”, a Director must be independent of management and free of any business or other relationship which could materially interfere or could reasonably be perceived to interfere materially with the Director’s independent exercise of their judgement.

Mr. B Philemon, was appointed as a non-executive Director on 21 September 2012 and is considered by the Board to be an independent Director, having regard to the factors set out above. Mr. B Philemon holds less than 5% of the share capital of the Company at the end of the reporting period.

Mr. C Lennon, Managing Director, was appointed on 1 December 2016. Mr. C Lennon holds less than 5% of the share capital of the Company at the end of the reporting period. By virtue of his position as an executive Director, Mr. Lennon is not considered by the Board to be an independent Director for the purpose of ASX Recommendation.

Mr. R Douglas, Chairman, was appointed as a non-executive Director on 7 February 2017 and is considered by the Board to be an independent Director, having regard to the factors set out above.

Mr. J Wylie, was appointed as a non-executive Director on 19 April 2017 and is not considered by the Board to be an independent Director, due to his position as Chief Executive Officer of PNGSDP a substantial shareholder of the Company who hold 11.44% of the share capital of the Company at the end of the reporting period.

RECOMMENDATION 2.4

A majority of the Board of a listed entity should be independent Directors.

Two of the four Board members are independent Directors.

The Company recognises a high performing and effective Board is essential for the proper governance of a listed entity. The Board will consider appointing independent Director(s) in the future, when the Company is of sufficient size and having regard to the scale and nature of its activities. In the meantime, the Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company or its Shareholders.

RECOMMENDATION 2.5

The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO.

Mr. Ron Douglas is the Chairman of the Board and is an independent Director.

RECOMMENDATION 2.6

A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

The Company provides new Directors with an induction package including copies of its relevant policies and procedures.

Each Director has the right to request Company assistance with any special professional development opportunities which they think would be of assistance in undertaking their duty as a Director.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

RECOMMENDATION 3.1

A list entity should:

- (a) have a code of conduct for its Directors, senior executives and employees; and**
- (b) disclose that code or a summary of it.**

The Board has approved a Code of Conduct ("Code") which applies to all Directors, executives and employees without exception. In summary, the Code provides guidelines for the standards of behaviour required by Directors, executives and employees:

- act honestly, with integrity and high ethical standards;
- use due care and diligence in fulfilling their duties;
- not make improper use of information acquired in their position;
- exercise independent judgement and actions;
- not allow personal interests, or those of associates, conflict with the interest of the Company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the Company.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

RECOMMENDATION 4.1

The Board of a listed entity should:

- (a) have an audit committee which:**
- (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and**
 - (2) is chaired by an independent Director, who is not the chair of the Board, and disclose:**
 - (3) the charter of the committee;**
 - (4) the relevant qualifications and experience of the members of the committee; and**
 - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Company has established an Audit Committee which is comprised of Mr. John Wylie and Mr. Bartholomew Philemon.

Mr. John Wylie is the Chairman of the Audit Committee and is not considered independent for the purpose of ASX Recommendations, as he is the CEO of PNGSDP, a substantial shareholder of the Company. Mr. Wylie is not the Chairman of the Board. Mr. Philemon is considered to be an independent Director.

The Board will consider appointing an Independent Director in the future, when the Company is of sufficient size and having regard to the scale and nature of its activities.

The Company's external auditors may be invited to attend Audit Committee meetings at the discretion of the Audit Committee.

Details relating to the relevant qualifications and experience of the members of the committee and the number of times the committee met throughout the reporting period and the individual attendances of the members at those meetings are set out on an Annual Basis in the Director's Report contained in the Company's 2017 Annual Report which is released to the market and posted on the Company's website at: <http://www.highlandspacific.com/financial-reports>.

RECOMMENDATION 4.2

The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board has received a declaration in the form set out in Recommendation 4.2 from the Chief Executive Officer and Chief Financial Officer in relation to the financial statements for the reporting period.

RECOMMENDATION 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's external auditor attends the AGM and is available to answer questions from shareholders relating to the conduct of the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and**
- (b) disclose that policy or a summary of it.**

The Board is committed to keeping its shareholders, and the market, fully informed of major developments having an impact on the Company.

Currently the Chairman, the CEO and the Company Secretary are charged with the responsibility to ensure compliance with ASX Listing Rule disclosure requirements. The Board has approved a Disclosure and Shareholder Communication Policy which is reproduced on the Company's website at: <http://www.highlandspacific.com/pdf/Disclosure.pdf>. The Board is responsible for scrutinising events and information to determine whether disclosure is required in order to maintain market integrity.

The Company Secretary is responsible for communications with the ASX.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

RECOMMENDATION 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company recognises the right of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in the Company.

Information about the Company's Shareholder Communication can be accessed at: <http://www.highlandspacific.com/pdf/Shareholder-Communication.pdf>, along with the Company's charters and other policies and procedures.

The Company's website provides a description of the Group's projects and all material announcements released to the ASX.

It is the Company's communication policy to communicate with shareholders and other stakeholders in a regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

RECOMMENDATION 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has a Disclosure policy that outlines the processes followed by the Company to ensure communication with shareholders and the investment community is effective, consistent and adheres to the principles of continuous disclosure. The Disclosure policy is located on the Company's website at: www.hIGHLANDSPACIFIC.COM/pdf/Disclosure.pdf.

RECOMMENDATION 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Board encourages active participation by shareholders at each Annual General Meeting of the Company.

The Disclosure and Shareholder Communication policy the Company has in place details that all shareholders are encouraged to participate at meetings of security holders. The Company permits shareholders to cast their proxies prior to a General Meeting if they are unable to attend the meeting. At any General Meeting, shareholders are encouraged to ask questions of the Board of Directors in relation to the matters to be considered at such meeting and where appropriate relating to the operation of the Company.

RECOMMENDATION 6.4

A listed entity should give security holders the option to receive communication from, and send communications to, the entity and its security registry electronically.

The Company provides security holders the option to receive communication from and send communication to, the entity and its security registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

RECOMMENDATION 7.1

The Board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:**
 - (1) has at least three members, a majority of whom are independent Directors;**
 - (2) is chaired by an independent Director' and disclose**
 - (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

The Board of the Company has not established a specific committee to oversee risk, however is provided with regular reporting in respect of operations and the financial condition of the Group aimed at ensuring that risks are identified, assessed and appropriately managed as and when they arise.

The Audit Committee assists the Board in its risk management role by reviewing the financial and reporting aspects of the group's risk management and control practices.

RECOMMENDATION 7.2

The Board or a committee of the Board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and**
- (b) disclose, in relation to each reporting period, whether such a review has taken place.**

Due to the size of the Company, the implementation of the risk management and internal control system to manage the Company's material business risks rests with the CEO and the Company Secretary/CFO.

The Board regularly monitors the operational and financial performance of the Company. The Board also receives and reviews advice on operational and financial risk to assist with developing the necessary strategies, in conjunction with management, to mitigate those risks.

RECOMMENDATION 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or**
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

In light of the nature and extent of the Company's operation and activities, the Company has not established an internal audit function.

The Board regularly review the activities of the Group to identify key business and operational risks and, where possible, will implement policies and procedures to address such risks.

The Board is provided with regular reporting on the management of operations and the financial condition of the Company, aimed at ensuring that risks are identified, assessed and appropriately managed as and when they arise.

RECOMMENDATION 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company recognises its corporate responsibility to all stakeholders and the continual need for sustainable, harmonious operations. The Company promotes best practice in terms of community development, environmental protection and safety management in all its operations.

The projects that the Company holds an interest in, (either 100% or through a joint venture arrangement) are at the exploration and mining stages and accordingly the Company recognises the need to correctly manage the expectations of local communities with respect to risks and rewards. In this regard the Company continually assesses the needs of the local communities where it operates and aims to respond where appropriate to their desires and expectations within available resources.

The Company is also conscious of its responsibility in relation to the environment and strives to achieve minimal impact as far as possible in its work areas, in the projects that the Company itself explores. The Company seeks to ensure that any disturbance of land which may arise as a

result of sampling or drilling is carried out in full cooperation with the local people and authorities and with minimal impact on the environment.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

RECOMMENDATION 8.1

The Board of a listed entity should:

- (a) have a remuneration committee which:**
 - (1) has at least three members, a majority of whom are independent Directors; and**
 - (2) is chaired by an independent Director, and disclose:**
 - (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) as at the end of each reporting period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Company does have a remuneration committee which is charged with assessing the performance of senior management in conjunction with the Managing Director, (senior executives undergo annual reviews with the Managing Director to discuss their role description in the context of the strategic plan of the Company and their performance against their role). The review is documented and reported to the remuneration committee.

The remuneration committee makes recommendation to the Board of the Managing Director's aggregate compensation and determines the remuneration for non-executive Directors subject to the Director's aggregate compensation not exceeding the maximum annual sum approved by shareholders.

The charter of the remuneration committee can be found at:

<http://www.hIGHLANDSPACIFIC.com/pdf/Remuneration-Committee-Charter.pdf>.

The remuneration committee, is comprised of two members, Mr. R Douglas (chairman) is an independent, non-executive Director and Mr. J Wylie is a non-executive but not considered by the Board to be an independent Director for the purpose of ASX Recommendation 8.1.

The Board will consider appointing an Independent Director in the future, when the Company is of sufficient size and having regard to the scale and nature of its activities.

The Director's Report to Shareholders details the member's attendance and frequency of the remuneration committee meetings held during the year.

RECOMMENDATION 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

The Director's Report to Shareholders details the structure of fees and payments made to non-executive Directors and the Managing Director and are further detailed in the 2017 Annual Report. The aggregate remuneration of non-executive Directors is approved by shareholders. Individual Director's remuneration is determined by the Board within the approved aggregate total. As at the date of this report all non-executive Directors are entitled to remuneration of A\$50,000 each per annum (plus statutory superannuation where applicable) inclusive of Committee responsibilities. The Chairman receives remuneration of A\$100,000 (plus statutory superannuation). No retirement benefits are payable to non-executive Directors.

RECOMMENDATION 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**
- (b) disclose that policy or a summary of it.**

Whilst Highlands Pacific encourages ownership of the Company by Directors, management and employees as a means of aligning their interest with shareholders' interest, detailed rules are in place regarding their ability to deal in the Company's securities.

The policy can be found on the Company's website at:

<http://www.highlandspacific.com/pdf/Dealing-in-the-Company's-Securities-by-Directors-and-Employees.pdf>