



Quarterly Activities Report - for the period ended 30 June 2018

ASX Code: **HIG**

Shares on Issue: 1,093 million

Performance Rights: Nil

Shareholders: ~7,210

Market Cap: A\$150m (14c-per-share)

Cash at bank: A\$22.0m

Directors

Ron Douglas, *Chairman*

Craig Lennon, *Managing Director/CEO*

Bart Philemon

Anthony Milewski

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 announced plan to move to 11.3%*)

- Production of 9,160 tonnes of nickel and 870 tonnes of cobalt in the June quarter.
- Cash operating margins for the June quarter averaged approximately US\$11,000/t nickel, after cobalt credits.
- After trading at close to record levels for most of the quarter, Nickel and Cobalt prices eased through June. The nickel price has consolidated at US\$13,500/t, and cobalt has retraced to approximately US\$70,000/t from a high of circa US\$92,000/t in March 2018.

Star Mountains Copper Gold exploration (*Highlands 100%*)

- New potential joint venture partners being sought to fund continued exploration.
- Project infrastructure and equipment remains under care and maintenance.

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

- Project manager PanAust (GRAM) is continuing studies on possible redesign and refinement of project components. A feasibility study is due for completion in the December quarter.
- Assessment of the Special Mining Lease on hold pending outcome of redesign work.
- Arbitration process with respect to the funding of the feasibility study continues.

Sewa Bay Nickel (*Exploration*)

- Discussions continue with Sojitz and Pacific Metals on future programs.

Corporate

- Nickel and cobalt streaming transaction with Cobalt27 announced, which will enable Highlands to repay Ramu project debt, increase interest in Ramu to 11.3% and bring forward cashflows. Closing of the transaction being progressed.
- Private placement of 142.5 million shares to Cobalt27 at A\$10.5c per share, raising A\$15 million.
- Cobalt27 Executive Chairman Anthony Milewski joins Highlands Board of Directors.
- Director John Wylie resigns from the Highlands Board of Directors.
- Cash totalled US\$16.3 million (A\$22.0 million) at the end of June 2018.

Managing Director Craig Lennon said the streaming transaction with Cobalt27 announced in May was a fundamental transformation for Highlands Pacific, strengthening the Company's financial position and establishing a firm platform for growth and increased shareholder returns.

"At the completion of the Cobalt27 transaction, Highlands will be essentially debt free and generating significant cashflows," he said. "We now have a strong strategic relationship with Cobalt27 and an enhanced capacity to take advantage of opportunities to create shareholder value as commodity prices benefit from increases in demand for battery metals. The Ramu mine is continuing to perform well, achieving strong throughput rates and generating cashflow," 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.

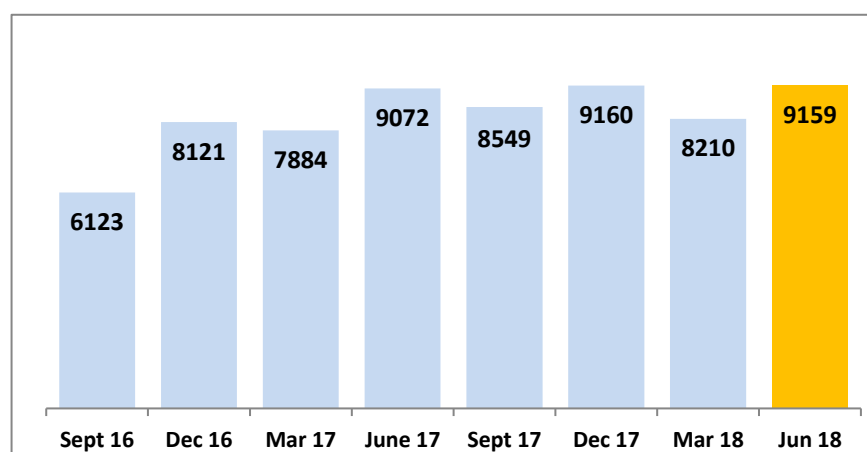
Equity: Highlands has an 8.56% interest in the mine which will increase to 11.3% at no cost after internal project debt has been repaid. Highlands has an option to acquire an additional 9.25% at fair market value which could increase its interest to 20.55%.

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%.

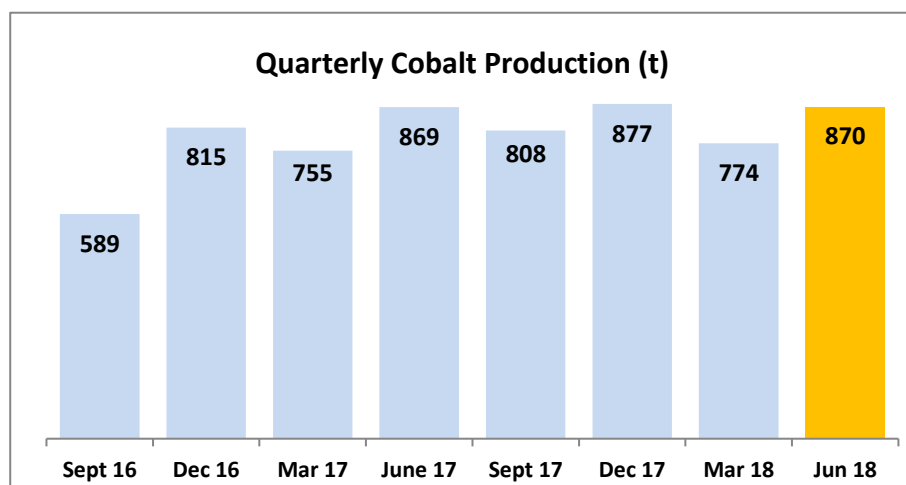
RAMU NICKEL COBALT MINE (8.56% with announced plan to move to 11.3% and potential to increase to 20.55%)

	2017 Jun Qtr	2017 Sept Qtr	2017 Dec Qtr	2018 Mar Qtr	2018 Jun Qtr
Ore Processed (dry kt)	936	897	960	877	950
MHP Produced (dry t)	23,717	22,156	23,932	21,688	23,949
Contained Ni (t)	9,072	8,549	9,160	8,210	9,159
Contained Co (t)	869	808	872	774	870
MHP shipped (dry t)	29,703	22,907	21,105	23,827	17,114
Contained Ni (t)	11,249	8,857	8,182	9,024	6,999
Contained Co (t)	1,076	844	789	861	655

Quarterly Nickel Production (t)



Quarterly Cobalt Production (t)





The Ramu nickel and cobalt mine continued to achieve excellent production results in the June quarter, with a strong mining performance at the Kurumbukari mine and increased plant throughput at the Basamuk process plant near Madang following planned maintenance shutdowns in the March quarter.

Plant throughput rose by 7.1% to 946,942 tonnes (DMT) and throughput grades were slightly higher in the quarter at 1.116% Nickel and 0.104% Cobalt.

Financial Performance

Ramu achieved continued strong financial results in the June quarter, with operating cashflow for the project at US\$79 million in the quarter after US\$2.3 million in capex (operating cashflow of US\$168 million for the 6 months to June). This was slightly lower than the prior quarter due simply to timing of shipments. A total of approximately 17,114 tonnes of MHP was shipped in the June quarter, compared with 23,827 tonnes in the prior three months to March.

Average revenue received per tonne of nickel sold in the June quarter was approximately US\$18,700/t, (net of selling costs and payable charges and including cobalt credits) compared with US\$17,500 in the March quarter. Cash operating margins generated during the quarter rose to more than US\$11,000/t, after cobalt credits.

The underlying results continued to reflect the strong production performance and favourable cobalt and nickel prices which remain well above levels of 2017.

Based on the unaudited results for the June quarter, the forecast distribution to Highlands for the June quarter would be approximately US\$1.35 million (US\$2.9 million year to date), following debt repayments to MCC.

The recently announced transaction with Cobalt27, when completed, is planned to be effective from June 30 2018, eliminating ongoing debt repayments and significantly increasing potential cashflows to be received by Highlands.



Ramu Mineral Resources 31 December 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 December 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 1049 sq kms

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

Ownership: Highlands holds 100% of the Star Mountains tenements. The PNG Government retains the right to acquire up to a 30% interest in the project on granting of a special mining lease.

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 for 5,620 metres.*

STAR MOUNTAINS COPPER/GOLD PORPHYRY EXPLORATION

New Joint Venture Partner Being Identified

Highlands regained 100% ownership of the Star Mountains leases in the March quarter and the project remains on Care and Maintenance while a new joint venture partner is being identified.

Star Mountains Resource

A maiden JORC Mineral Resource was declared at the Olgal prospect in February, confirming the project as one of the most exciting exploration prospects in PNG.

Using a 0.3% copper cut-off grade, the deposit is estimated to contain 210 million tonnes grading 0.4% copper and 4g/t gold, for 840,000 tonnes of contained copper and 2.9 Moz contained gold.

Highlands Pacific commissioned independent consulting geologists H&S Consultants Pty Ltd to complete the resource estimate, which was based on data and assays from 23 diamond core drill holes totaling 8,949 metres.

The resource was as follows at various cut-off grades:

Cu Cut-off grade	Mt	%Cu	g/t Au	Mt Cu	MozAu
0.20	450	0.3	0.3	1.4	4.5
0.30	210	0.4	0.4	0.84	2.9
0.40	80	0.5	0.6	0.40	1.6

For full details see ASX announcement of 20 February 2017



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% and is the manager of the project.

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 Redesign

Highlands' joint venture partner in the Frieda River project, PanAust Ltd, a subsidiary of Chinese group Guangdong Rising Asset Management Co Ltd (GRAM) is continuing to liaise with PNG authorities regarding permitting.

PanAust is undertaking various studies to investigate opportunities to decrease capital expenditure, reduce the overall project risk profile and increase project returns. These studies are expected to be completed by the December quarter. Progress in permitting by the PNG Govt is waiting finalisation of these studies.

Frieda River sale process

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

Funding obligations

Highlands and PanAust are in dispute regarding funding obligations under the joint venture agreement, and the dispute has been the subject of arbitration proceedings. The first stage of the arbitration was determined in April 2018, with the arbitrator concluding that Highlands' free carry for the Frieda River project feasibility study ended on the date of lodgement of the joint venture application for a Special Mining Lease on 23 June 2016. The Arbitrator also awarded costs as part of this first stage of arbitration to PanAust which are to be assessed by a third-party costs assessor.

The arbitration is now in the second stage where Highlands will be contending that other provisions of the joint venture agreement should be applied in relation to the feasibility study costs that are continuing.

Highlands retains the right to dilute its interest in the project to meet expenditure commitments, both previous expenditure claimed by PanAust and future expenditure.



Frieda River Resources

The Nena Mineral Resource for the Nena deposit was updated and announced in November 2017. The Nena sulphide Mineral Resource supersedes the previous estimate prepared by Glencore-Xstrata. The Nena gold cap Mineral Resource estimate is newly reported.

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".

November 2017 Nena Mineral Resource

Nena Sulphide Mineral Resource 2017					
Category	Tonnes (Mt)	Cu(%)	Au(g/t)	As(%)	Sb(ppm)
Indicated	35	2.35	0.79	0.25	160
Inferred	17	1.68	0.29	0.12	80
Total	52	2.13	0.63	0.20	130

Nena Gold Cap Mineral Resource 2017					
Category	Tonnes (Mt)	Cu(%)	Au(g/t)	As(%)	Sb(ppm)
Indicated	11	0.07	1.35	0.30	230
Inferred	10	0.06	1.28	0.21	170
Total	20	0.06	1.32	0.26	200

Gold cut-off grade 0.5g/t with an upper copper grade limit of 0.3%.

Reported on a 100% ownership basis.

Totals may include minor discrepancies for rounding.



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.

Competent Person Statement. Mineral Resources

The data in this report that relate to Mineral Resources for Frieda River (HITEK and Nena) 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.

The information on the Nena Resource is extracted from the report entitled “Frieda River Copper-Gold Project Mineral Resource update for the Nena copper-gold deposit” released on 27 November 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.



CORPORATE

STREAMING TRANSACTION ANNOUNCED

In May, Highlands announced a transformational streaming arrangement, private placement and strategic relationship with Canadian battery metals company, Cobalt 27 Capital Corp.

Under the terms of the agreement, Cobalt 27 will pay Highlands an upfront deposit of US\$113 million to secure an entitlement to 55.0% of Highlands' share of cobalt production and 27.5% of Highlands' share of nickel production from the Ramu Nickel Cobalt Mine for the life of the project. Cobalt27 will also make ongoing volume-based payments to Highlands of US\$1.00/lb of nickel and US\$4.00/lb of cobalt for product it is entitled to under the streaming agreement. Highlands will use the upfront deposit to fully repay loans outstanding that relate to the construction and operation of the Ramu mine.

As a result of the repayment of the loans, Highlands' interest in the Ramu project immediately increases to 11.3% from 8.56% and will relieve Highlands of future debt repayments, delivering the Company a material uplift in Ramu project cash flows.

Highlands has retained the right to purchase up to US\$15 million in the cobalt nickel stream from Cobalt 27, enabling it to gain increased exposure to potential upside in metal prices fuelled by changes in battery technology. This right must be exercised within 90 days of financial close of the streaming agreement. Exercise of this right in full by Highlands would result in the effective streaming percentages reducing to 47.7% of Highlands' share of cobalt production and 23.9% of Highlands' share of nickel production.

As announced on July 3, Highlands is continuing to work towards financial close of the transaction. The substantive outstanding condition is the execution of a clarification agreement between the Ramu joint venture partners. Once completed, it is planned the transaction will have an economic effective date for the transaction of 1 July 2018, irrespective of the timing of financial close. MRDC has confirmed its support for the transaction and formally advised Cobalt 27 that it wishes to pursue discussions regarding a similar streaming arrangement in respect of their interest in the Ramu project. MRDC is continuing discussions with Cobalt 27 to formalize an agreement. Successful execution of a streaming arrangement with MRDC would result in Highlands Pacific being granted an option to acquire a US\$10 million interest in the stream.

In addition, Highlands has issued 142.5 million shares to Cobalt 27 through a private placement at a price of A10.5 cents per share, to raise approximately A\$15 million. The issue price represented a 14.8% premium to the 5 day volume weighted average price of Highlands shares on the ASX at the date of issue. As a result of the share placement, Cobalt 27 is Highland's largest shareholder with a 13.04% shareholding and has agreed to hold its shares in escrow for 12 months. Cobalt 27 Executive Chairman Anthony Milewski has been appointed to the Highlands Board and Highlands Managing Director, Mr Craig Lennon, has joined Cobalt 27's Advisory Committee.

For further details of the Cobalt 27 transaction, see ASX announcements of May 23, 2018 and July 3, 2018.



DIRECTOR RESIGNATION

Since the end of the June quarter, Director John Wylie resigned from the Highlands Board of Directors. Mr Wylie joined the Board in April 2017 as a nominee of the PNG Sustainable Development Program. PNGSDP sold the bulk of its shareholding in the Company in July to Hong Kong investment fund LIM Advisors Limited.

Highlands intends to appoint a replacement director in the coming weeks to ensure the Board maintains the necessary range of skills and expertise.

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	100% - Note 1	100% - Note 1	Sandaun Province
Frieda River Project (Highlands Frieda Limited) ELs 0058, 1895 and 1956	20% - Note 1	20% - Note 1	Sandaun Province
ELs 1212, 1746 and 1957	20% - Note 1	20% - Note 1	Sandaun & East Sepik Province
ELs 1743, 1744, and 1745	20% - Note 1	20% - Note 1	East Sepik Province
EL 1896	20% - Note 1	Nil	East Sepik Province
Ramu Project (Ramu Nickel Limited) SML 8	8.56%	8.56%	Madang Province
ML 149	8.56%	8.56%	Madang Province
LMPs 42, 43, 44, 45, 46, 47, 48 and 49	8.56%	8.56%	Madang Province
MEs 75, 77, 78 and 79	8.56%	8.56%	Madang Province
ELs 193 and 2376 (previously 1178)	8.56%	8.56%	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 and the Ramu Project are held in joint venture. The percentage detailed in the table above indicates the percentage held by Highlands.

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

NOTES

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

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



Appendix 5b

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HIGHLANDS PACIFIC LIMITED

ACN or ARBN

ARBN 078 118 653

QUARTER ENDED ("CURRENT QUARTER")

30 June 2018

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 0.7391.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter	Current quarter	Year to date	Year to date
	\$US'000	\$A'000	\$US'000	\$A'000
Cash flows related to operating activities				
1.1 Receipts from customers	-	-	-	-
1.2 Payments for:				
- exploration and evaluation (Frieda)*	(183)	(248)	(329)	(445)
- production (Ramu holding costs)*	(208)	(281)	(277)	(375)
- Star Mountains (holding costs)*	(4)	(5)	(24)	(32)
- staff costs	(406)	(549)	(669)	(905)
- administration and corporate costs	(426)	(576)	(622)	(841)
1.4 Interest received	22	30	54	73
1.5 Income taxes (paid)/refund	-	-	-	-
1.6 Net cash from / (used) in operating activities	(1,205)	(1,629)	(1,867)	(2,525)
Cash flows from investing activities				
2.1 Payments to acquire: property, plant and equipment	-	-	(3)	(3)
2.2 Other – Refund of excess JV contributions from Anglo American	(573)	(775)	(573)	(775)
2.3 Distribution from Ramu Joint Venture	-	-	1,154	1,561
2.4 Net cash from / (used in) investing activities	(573)	(775)	578	783

* Includes staff costs pertaining to these projects



Cash flows from financing activities					
3.1	Proceeds from issue of shares	11,105	15,025	11,100	15,018
3.2	Repayment of borrowings	-	-	-	-
3.3	Net cash from / (used in) financing activities	11,105	15,025	11,100	15,018
	Net increase (decrease) in cash and cash equivalents for the period	9,937	12,621	9,811	13,276
4.1	Cash and cash equivalents at beginning of the period	7,240	9,445	6,816	8,738
4.2	Net cash from / (used in) operating activities (item 1.7 above)	(1,205)	(1,629)	(1,867)	(2,525)
4.3	Net cash from / (used in) investing activities (item 2.4 above)	(573)	(775)	578	783
4.4	Net cash from / (used in) financing activities (item 3.3 above)	11,105	15,025	11,100	15,018
4.5	Effect of movement in exchange rates on cash held	(262)	(5)	(322)	47
4.6	Cash and cash equivalents at end of period	16,305	22,061	16,305	22,061

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	15,852	21,448	4,375	5,707
5.2	Call deposits	-	-	-	-
5.3	Bank overdrafts	-	-	-	-
5.4	Other short-term deposits	453	613	2,865	3,738
5.5	Cash and cash equivalents at the end of quarter	16,305	22,061	7,240	9,445

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)	49	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	91	123
Frieda Holding Costs (joint venture costs funded by PanAust)	400	540
9.2 Development	-	-
9.3 Ramu Production – Holding Costs (joint venture costs funded by MCC)	36	49
9.4 Staff costs	267	361
9.5 Administration and corporate costs	168	227
9.6 Other	-	-
9.7 Total estimated cash outflows	962	1,300

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	1,092,733,836	1,092,733,836		
7.4 Issued during quarter	142,530,500	142,530,500	0.105	0.105
+ Convertible debt securities <i>(description and conversation factor)</i>				
7.5				
7.6 Issued during quarter				
7.7 Options <i>(description and conversation factor)</i>	Refer Attachment A		<u>Exercise Price</u>	
Performance Rights Plan	Nil	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 <i>(totals only)</i>	Nil	Nil		
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: 30 July 2018

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)

No Performance Rights exercised during the quarter.

No Performance Rights were issued during the quarter.

No Performance Rights lapsed during the quarter.