Quarterly Activities Report - for the period ended 31 December 2018

ASX Code: HIG
Shares on Issue: 1,093 million
Performance Rights: Nil
Shareholders: ~6,980

Market Cap: A$110m (10c-per-share)
Cash at bank: A$21m

Directors
Ron Douglas, *Chairman*
Craig Lennon, *Managing Director/CEO*
Ernie Gangloff
Anthony Milewski

Management
Sylvie Moser, CFO & Co. Sec
Ron Gawi, GM Port Moresby

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Stockwork Corporate Communications
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HIGHLIGHTS

Corporate

- Highlands Pacific has entered into a Scheme Implementation Agreement (SIA) with Cobalt 27 Capital Corp, under which Cobalt 27 is seeking to acquire all of the shares in Highlands it does not already own through a Scheme of Arrangement.
- Cobalt 27 is currently Highlands' largest shareholder with a holding of approximately 19.99%.
- Under the terms of the Scheme, Highlands shareholders will be entitled to receive A10.5 cents cash per share, valuing the Company at approximately A$115 million.
- The consideration will increase by A1.0 cent cash per share to A11.5 cents if the closing spot price of nickel exceeds US$13,220 per tonne over five consecutive trading days before 31 December 2019.
- The previously announced streaming arrangement with Cobalt 27, to facilitate repayment of Highlands' project loans for the Ramu project and a step-up in its project interest, has been terminated as its conditions precedent were unable to be met.
- Highlands remains free to engage with third parties regarding alternative transactions until 15 February 2019. Alternative transactions could include a competing corporate transaction, sale of Highlands' interest in the Ramu project, or a transaction to support repayment of the project loans for the Ramu project. After that date, Highlands can still respond to a competing proposal if permitted to do so under the terms of the fiduciary carve-out in the no-talk provision in the SIA.
- Cash totalled US$14.9 million (A$21.0 million) at the end of December 2018.

Ramu Nickel Cobalt Mine *(Highlands 8.56%)*

- Record production of 9,182 tonnes of nickel achieved in December quarter. Annual production of nickel in concentrate at a record 35,355 tonnes
- Quarterly cobalt production totalled 838 tonnes. Annual cobalt production was 3,275 tonnes, slightly below the record output of 3,308 tonnes achieved in 2017
- Product shipments resumed strongly in the December quarter.
- A major expansion of production capacity is being investigated by project manager MCC. Highlands is waiting on final details.

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

- Highlands received a feasibility study for the Frieda River Copper-Gold Project from the project manager PanAust Limited in December.
- The feasibility study adopts a fundamentally different approach to the project, considering the Frieda River Copper-Gold Project within a broader regional development context and requiring extensive third party or government investment in regional infrastructure as a prerequisite.

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

- Search for potential joint venture partners to fund exploration continues.
- Project infrastructure and equipment remains under care and maintenance.

Sewa Bay Nickel ***(Exploration)***

- Discussions with Sojitz on future explorations programs ended in January.
- Strategic review of the project will be now be undertaken.

Managing Director Craig Lennon said the three months to December marked a turning point for the Company.

"The proposed Scheme of Arrangement provides an opportunity for shareholders to realise their full investment in the company for cash at a price that represents a significant premium to recent market prices, and with the possibility of further payments if nickel prices achieve certain hurdles during the 2019 calendar year. Market conditions remain challenging, with current nickel prices subdued and cobalt prices having retreated from last year's record highs. While the Ramu project continues to achieve new operating milestones, there are uncertainties and risks associated with the project including in relation to product shipments (as observed in the September 2018 quarter) and the expansion proposal."

"Your independent directors, having carefully considered the situation, intend to recommend that shareholders vote in favour of the Scheme of Arrangement in the absence of a superior proposal and subject to an Independent Expert concluding that the Scheme is in the best interests of shareholders.

"The quarter also saw the release of a Frieda River feasibility study that requires major investment, relies on considerable government or third-party infrastructure development and has many years of development ahead of it."

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.

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%)**

The Ramu nickel and cobalt mine continued to achieve excellent throughput and production rates in the December quarter, lifting annual nickel output to a record 35,355 tonnes, up from 34,666 tonnes in 2017.

Cobalt production totalled 838 tonnes in the quarter, taking annual cobalt production to 3,275 tonnes, marginally lower than the prior year.

Quarterly plant throughput increased to a record 963,000 tonnes, driven by strong mine production at the Kurumbukari mine and excellent plant operating performance at the Basamuk plant site. Total MHP (dry) production increased to 23,871 tonnes for the quarter, with nickel and cobalt grades held consistent with the prior quarter at 1.11% Nickel and 0.10% Cobalt.

The high outputs confirm Ramu as one of the largest nickel and cobalt producers in Asia, and one of the most successful nickel laterite operations to have been brought into production.

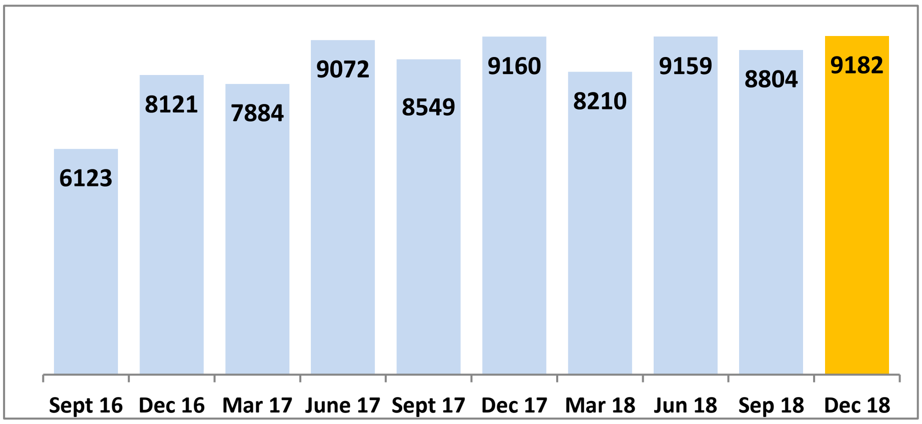
Financial Performance

The operation realised a net cash inflow (unaudited) of US$93 million for the year to December after capital expenditure of US$5 million. The cash flow was significantly impacted by no sales taking place in the September quarter, resulting in the second half of the year producing a small cash outflow. As at 31 December the project holds over 11,000t of nickel contained in MHP as finished product available for sale.

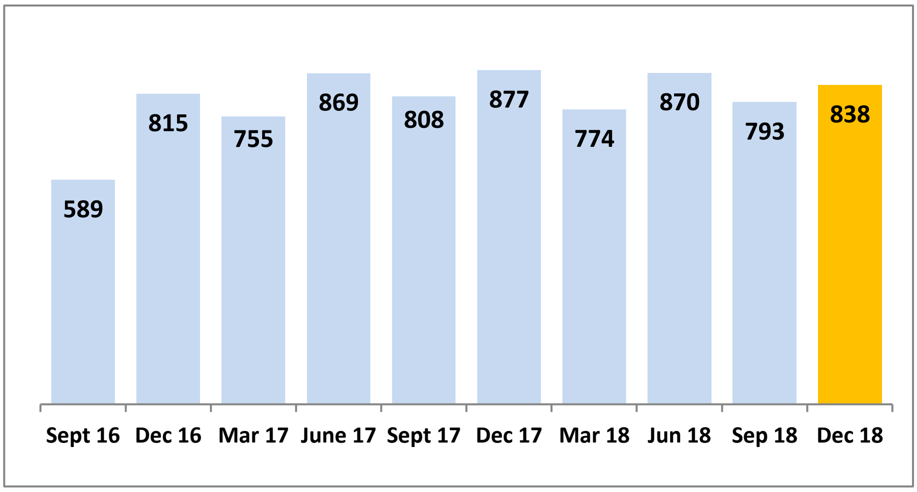
A final cash distribution is not expected for the six months to December 2018 when the audited joint venture accounts are finalised at the end of March 2019. The distribution received for the six months to June 2018 was received during the December quarter and was US$634,000 with US$3.9 million applied to the loan balances.

	2017 Annual	2018 Mar Qtr	2018 Jun Qtr	2018 Sep Qtr	2018 Dec Qtr	2018 Annual
Ore Processed (dry kt)	3,601	877	950	**920**	**963**	3,710
MHP Produced (dry t)	89,947	21,688	23,949	**22,750**	**23,871**	92,258
Contained Ni (t)	34,666	8,210	9,159	**8,804**	**9,182**	35,355
Contained Co (t)	3,308	774	870	**793**	**838**	3,275
MHP shipped (dry t)	93,111	23,827	17,114	**1,352**	**24,272**	66,565
Contained Ni (t)	35,699	9,024	6,999	**524**	**9,413**	25,960
Contained Co (t)	3,430	861	655	**48**	**865**	2429

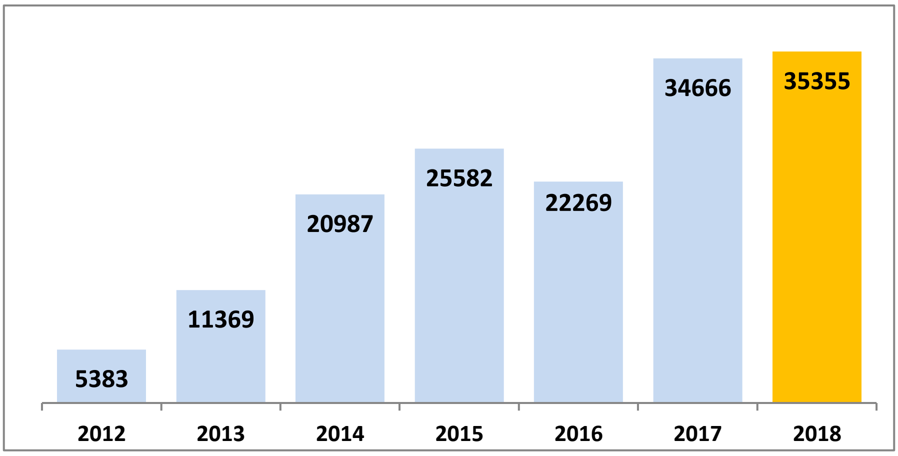
Quarterly Nickel Production (t)

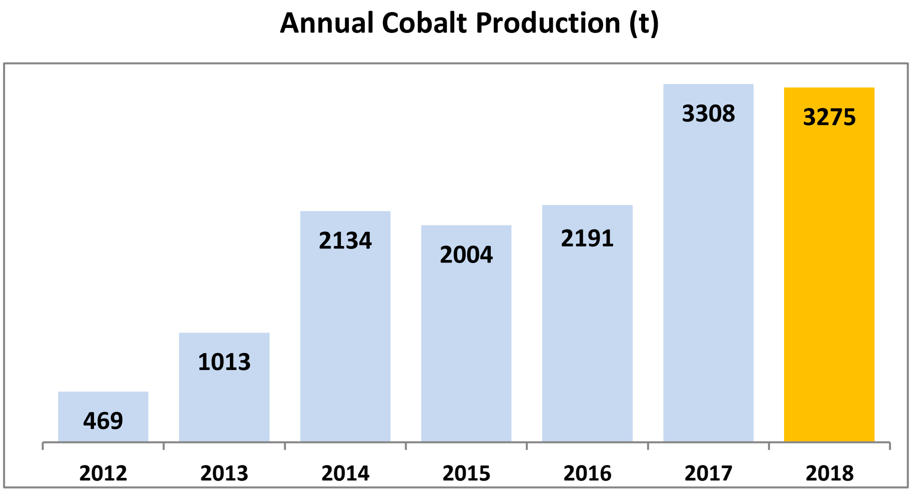


Quarterly Cobalt Production (t)



Annual Nickel Production (t)





Ramu Mineral Resources 15 June 2018

Classification	Tonnes (Mt)	Average grade (%)	
		Ni	Co
Measured	34	0.9	0.1
Indicated	42	0.9	0.1
Subtotal	**76**	**0.9**	**0.1**
Inferred	60	1.0	0.1
Total	**136**	**0.9**	**0.1**

0.5% nominal cut-off.
Totals may not equal the sum of the component parts due to rounding adjustments.
Ore tonnes (dry) represent the -2 mm economic portion of resource mineralization in the rocky saprolite.

Competent Person Statement. Mineral Resources

The information in this report that relates to Ramu Mineral Resources is based on information compiled by Zhang Xueshu, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Zhang Xeushu is a full-time employee and Chief Geologist of Sinomine Resources Exploration Co and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Zhang Xueshu consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information on the Ramu Mineral Resource is extracted from the report entitled "Ramu Mineral Resource and Ore Reserve Update 2018" released on 10 September 2018 and available on the Company website.

Ramu Ore Reserves, 15 June 2018

Classification	Tonnes (Mt)	Average grade (%)	
		Ni%	Co%
Proved	24	0.9	0.1
Probable	33	0.9	0.1
Ore Reserves	**56**	**0.9**	**0.1**

Totals may not equal the sum of the component parts due to rounding adjustments.
Ore tonnes (dry) represent the -2 mm economic portion of resource mineralization in the rocky saprolite.
Based on a nickel price of US$12,000/t, and cobalt price of US$48,501/t.

Competent Person Statement. Ore Reserves
The information in this report that relates to Ramu Ore Reserves is based on information compiled by Mr Gao Xiang, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Gao Xiang is a part-time employee of Sinomine Resources Exploration Co and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent person as defined in the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Gao Xiang consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information on the Ramu Ore Reserve is extracted from the report entitled "Ramu Mineral Resource and Ore Reserve Update 2018" released on 10 September 2018 and available on the Company website.

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

Location: The Star Mountains refers to a range of mountains in far west PNG. The tenements are approximately 20kms NE of the Ok Tedi copper mine. Total tenement area 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
The Star Mountains project remains on Care and Maintenance while a new joint venture partner is being identified.

Star Mountains Resource
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.

The resource was estimated by independent consulting geologists H&S Consultants Pty Ltd, 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 2018

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 2.7 billion tonnes of Mineral Resource containing approximately 13 Mt of copper and 21 Moz of gold.

FRIEDA RIVER COPPER - GOLD PROJECT (20%)

2018 Feasibility Study

Highlands received a feasibility study for the Frieda River Copper-Gold Project from the project manager PanAust Limited in December 2018.

The feasibility study followed an extensive review of PanAust's previous development plan which was outlined in its May 2016 feasibility study, which was subsequently updated in an addendum in March 2017.

The 2018 feasibility study considers the Project within a broader regional development context and requires extensive third party or government investment in regional infrastructure as a prerequisite.

The revised approach presents changes to prior studies in a number of ways including:

- Under a single ownership structure, the combined project including the Frieda River mine and process plant, together with the hydro-electric facility, but excluding road, transport and regional power transmission infrastructure, has a total pre-production capital cost of US$6 billion
- It generates a post-tax Internal Rate of Return of 11% in real terms, with a seven-year implementation schedule.
- It relies on the construction and upgrade of roads linking the mine site to the Port of Vanimo on the northern coast of PNG.
- It requires an upgrade of the Vanimo Port as well as the existing airstrip at Green River to create a new shared-use regional airport.
- The total cost of the road, airfield and port upgrades is estimated at US$739 million, to be funded by government and/or public-private partnerships.
- It requires a 340km slurry pipeline to be built linking the process plant at the mine site with the Port of Vanimo.
- The pipeline will cost US$351 million and will be operated by a third party on commercial terms. The prior project plan had relied on barge transport down the Sepik River to deliver concentrate to a port for loading on ocean going vessels and to deliver supplies up-river to the mine and process plant.
- Like the previous development proposal, the 2018 plan requires the construction of a hydro-electric power station integrated with a tailings and waste rock Integrated Storage Facility. The latest study has relocated the proposed facility to increase power production to meet processing requirements and enable the sale of excess power.
- The 2018 study also considers the hydro-electric facility as having a separate ownership structure from the copper/gold project, albeit with the two projects being interdependent.
- The development plan assumes the sale of excess power from the proposed hydro-electric facility to third parties via a transmission network to be constructed at a capital cost of up to US$418 million inclusive of a rural electrification network along the road corridor.

- The entire project requires increased total capital investment of more than US$7 billion encompassing the cost of the mine development, process plant, ISF and hydro-electric power plant, road construction and airport upgrades and power transmission network.
- Mine life has been increased to 33 years, compared with 18 years in the prior study.

For full details, see ASX announcement of 10 December 2018

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 parties have agreed to suspend the arbitration proceedings while the proposed Cobalt 27 Scheme of Arrangement is considered by shareholders, together with the separate proposal for PanAust to acquire Highlands' 20% interest in the project (refer below).

Highlands retains the right to dilute its interest in the project to meet expenditure commitments, both expenditure claimed by PanAust incurred after 30 June 2016 to now and future expenditure.

HITEK Ore Reserve 2018

Frieda River Ore Reserves were updated by the project manager PanAust in December 2018.

The 2018 Horse-Ivaal-Trukai, Ekwai and Koki (HITEK) Ore Reserve estimate for the Frieda River Copper-Gold Project at September 2018 is reported according to the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

The 2018 HITEK Ore Reserve is supported by the Sepik Development Project Feasibility Study (Feasibility Study) completed in 2018. This Ore Reserve estimate replaces the 2017 HITEK Ore Reserve estimate. The HITEK Ore Reserve is summarised in the following table.

	2018 HITEK Ore Reserve		
Class	**Tonnes (MT)**	**Copper grade (%)**	**Gold grade (g/t)**
Proved	604	0.51	0.30
Probable	761	0.42	0.21
Total	**1,365**	**0.46**	**0.25**

2018 Ore Reserve notes:

(i) Estimated at commodity prices of US$3.30/lb copper and US$1,390/oz gold

(ii) Reported using a breakeven economic cut-off value that considers relevant modifying factors

(iii) Reported on a 100% ownership basis

(iv) The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually, the table may show apparent inconsistencies between the sum of rounded components and the corresponding rounded total.

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 "Frieda River Copper/Gold Project Reserve Update" created on 10 December 2018 and available on the Company website.

HITEK Mineral Resource 2017

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).
The Measured and Indicated Mineral Resource is inclusive of those Mineral Resources modified to produce the Ore Reserves.
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".

Nena Mineral Resource 2017

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.

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 km^2

SEWA BAY – NICKEL LATERITE / GOLD EXPLORATION

Highlands and international trading house Sojitz Group have terminated discussions regarding exploration activities at the Sewa Bay tenements in Milne Bay Province. The exploration program to date has been funded by Sojitz and Pacific Metals Co. Ltd, however agreement could not be reached on to progress forward with the project.

Highlands will now undertake a strategic review of the project.

CORPORATE

Proposed Scheme of Arrangement with Cobalt27

As announced on January 2, 2019 Highlands has entered into a Scheme Implementation Agreement with Cobalt 27 Capital Corp under which Cobalt 27 is seeking to acquire all of the shares in Highlands that it does not under a Scheme of Arrangement.

Cobalt 27 is Highlands' largest shareholder and has recently increased its holding to approximately 19.99%. Under the terms of the Scheme, Highlands shareholders will be entitled to receive A10.5 cents cash per share. The consideration represents a premium of 43.8% over the closing price of Highlands shares on 24 December 2018 of A7.3 cents and implies an equity value for Highlands of approximately A$115 million.

The consideration will increase by A1.0 cent cash per share to A11.5 cents if before 31 December 2019 the closing spot price of nickel exceeds US$13,220 per tonne over a period of five consecutive trading days.

The Scheme will require the approval of 75% of Highlands' shareholders at a shareholder meeting expected to be held in mid to late April 2019. Highlands' largest shareholders have stated their intention to vote in favour of the Scheme in the absence of a superior proposal. PanAust's intention to vote in favour of the Scheme, in the absence of a superior proposal, is subject to board and regulatory approval in China. PanAust is a subsidiary of Guangdong Rising Assets Management Co, a Chinese state-owned enterprise (if the PanAust Buyback Agreement is entered into, PanAust will not be eligible to vote at the shareholder meeting to approve the Scheme).

Separately, Cobalt 27 is seeking to negotiate an agreement with PanAust under which Cobalt 27 and PanAust agree that, if the proposed Scheme of Arrangement proceeds and is implemented, PanAust will, and Cobalt 27 will procure that Highlands does, enter into a buy back agreement whereby PanAust will transfer to Highlands its 128,865,980 shares in Highlands, representing an 11.8% interest in the Company, and cancels any outstanding debt owed by Highlands to PanAust, in return for Highlands transferring its interest in the Frieda River Joint Venture to PanAust. (PanAust Buyback Agreement)

The Scheme Implementation Agreement includes exclusivity commitments, matching rights for Cobalt 27 on market standard terms and a break fee of A$1 million. The exclusivity commitments do not apply until 45 days after execution of the SIA, a period during which the Company can examine alternative transactions without restriction. After that date, the Company can still respond to a competing proposal if permitted to do so under the terms of the fiduciary carve-out in the no-talk provision in the SIA.

Highlands has commissioned an Independent Expert to determine whether, in its opinion, the Scheme is in the best interests of shareholders. The Independent Expert Report, which will be supported by an independent technical specialist's report, will be provided to Highlands' shareholders as part of the explanatory memorandum for the Scheme.

Subject to the availability of PNG Court hearing dates, it is anticipated that the Scheme will proceed according to the following timetable:

- First court hearing for the Scheme of Arrangement – End February 2019;
- Despatch explanatory memorandum - Early March 2019;
- Shareholder meeting – Mid-Late April 2019;
- Second court hearing for the Scheme of Arrangement – Late April 2019;
- Implementation Date – Early May 2019.

Cash Balance
Cash totalled US$14.9 million (A$21.0 million) at the end of December 2018.

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
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.

1. 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.
2. Definitions:

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

Appendix 5b

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HIGHLANDS PACIFIC LIMITED

ACN or ARBN

ARBN 078 118 653

QUARTER ENDED ("CURRENT QUARTER")

31 December 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 0.7058.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Current quarter $US'000	Current quarter $A'000	Year to date $US'000	Year to date $A'000
Cash flows related to operating activities					
1.1	Receipts from customers	-	-	-	-
1.2	Payments for:				
	- exploration and evaluation (Frieda holding costs)*	(59)	(83)	(622))	(881)
	- production (Ramu holding costs)*	(119)	(169)	(478)	(677)
	- Star Mountains holding costs*	17	24	(128)	(181)
	- staff costs	(374)	(530)	(1,354)	(1,918)
	- administration and corporate costs	(325)	(460)	(1,104)	(1,564)
1.4	Interest received	10	14	75	106
1.5	Income taxes (paid)/refund	-	-	-	-
1.6	**Net cash from / (used) in operating activities**	(850)	(1,204)	(3,611)	(5,115)
Cash flows from investing activities					
2.1	Payments to acquire:				
	property, plant and equipment	(1)	(1)	(4)	(6)
2.2	Other – Refund of excess JV contributions from Anglo American	-	-	(573)	(812)
2.3	Distribution from Ramu Joint Venture	634	898	1,788	2,533
2.4	**Net cash from / (used in) investing activities**	633	897	1,211	1,715

* Includes staff costs pertaining to these projects

Cash flows from financing activities					
3.1	Proceeds from issue of shares	-	-	11,100	15,727
3.2	Repayment of borrowings	-	-	-	-
3.3	**Net cash from / (used in) financing activities**	-	-	11,100	15,727
	Net increase (decrease) in cash and cash equivalents for the period	(217)	(307)	8,700	12,327
4.1	Cash and cash equivalents at beginning of the period	15,126	20,834	6,816	8,738
4.2	Net cash from / (used in) operating activities (item 1.7 above)	(850)	(1,204)	(3,611)	(5,115)
4.3	Net cash from / (used in) investing activities (item 2.4 above)	633	897	1,211	1,715
4.4	Net cash from / (used in) financing activities (item 3.3 above)	-	-	11,100	15,727
4.5	Effect of movement in exchange rates on cash held	(52)	523	(659)	(15)
4.6	**Cash and cash equivalents at end of period**	14,857	21,050	14,857	21,050

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 $US'000	Current quarter $A'000	Previous quarter $US'000	Previous quarter $A'000
5.1	Bank balances	14,424	20,436	14,680	20,220
5.2	Call deposits	-	-	-	-
5.3	Bank overdrafts	-	-	-	-
5.4	Other short-term deposits	433	614	446	614
5.5	**Cash and cash equivalents at the end of quarter**	14,857	21,050	15,126	20,834

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)	42	60
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	85	120
	Frieda Holding Costs (joint venture costs funded by PanAust)	50	70
9.2	Development	-	-
9.3	Ramu Production – Holding Costs (joint venture costs funded by MCC)	40	57
9.4	Staff costs	230	326
9.5	Administration and corporate costs	353	500
9.6	Other	-	-
9.7	Total estimated cash outflows	758	1,073

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

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

Issued and quoted securities at end of current quarter
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1	**Preference + securities** *(description)*				
7.2	Issued during quarter				
7.3	**+ Ordinary securities**	1,092,733,836	1,092,733,836		
7.4	Issued during quarter		-		
7.5	**+ Convertible debt securities** *(decscription and conversation factor)*				
7.6	Issued during quarter				
		Refer Attachment A		Exercise Price	
7.7	**Options** *(description and conversation factor)*				
	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**	Nil	Nil		
	(totals only)				
7.12	**Unsecured notes** *(totals only)*	Nil	Nil		

COMPLIANCE STATEMENT

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: .... Date: 29 January 2019
(~~Director~~/Company Secretary)

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.