



## Quarterly Activities Report - for the period ended 31 December 2016

### ASX Code: HIG

Shares on Issue: 933 million\*

Performance Rights: 22 million\*

Shareholders: ~7,500

\* updated for issue on 3 Jan 2017

**Market Cap: A\$55m** (5.9c-per-share)

**Cash at bank: A\$14.5m**

### Directors

Ken MacDonald, *Chairman*

Craig Lennon, *Managing Director/CEO*

Mike Carroll

Dan Wood

Bart Philemon

### Management

Sylvie Moser, *CFO & Co Sec*

Ron Gawi, *GM Port Moresby*

Leslie Nand, *GM Exploration Projects*

**For further information, please contact:**

Joe Dowling

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### HIGHLIGHTS

#### **Ramu Nickel Cobalt Mine** (8.56% with potential to move to 20.55%)

- Record quarterly production achieved in December quarter.
- Planned two week maintenance shutdown successfully completed in January 2017.

#### **Star Mountains** (Copper/Gold Porphyry Exploration)

- Exploration drilling campaign advanced steadily.
- Drilling currently at Unfin and Fune prospects.
- First hole completed at Unfin over 1,000m in depth.
- First full assays expected February 2017.

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

- Independent peer review received in January 2017.
- Environmental Impact Statement submitted to the PNG Conservation and Environment Protection Authority in December.

#### **Sewa Bay**

- Highlands and international trading house Sojitz Group, together with Japanese company Pacific Metals Co. Ltd., have commenced the next stage of exploration at Sewa Bay in Milne Bay Province.
- The exploration activity will include an airborne laser and imagery (LIDAR) survey over the 200 sq km tenement area, to provide detailed mapping.

#### **Corporate**

- Craig Lennon appointed CEO and Managing Director in November 2016, following the retirement of former CEO John Gooding.
- Sylvie Moser appointed CFO and Company Secretary.
- Cash totalled US\$10.5 million (A\$14.5 million) at the end of December 2016.

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

"The Ramu operation achieved record levels of production in the December quarter and is now achieving nameplate capacity on a regular basis, and generating positive cashflows even at current depressed nickel prices. At Star Mountains, the drilling campaign is progressing well and we remain optimistic that it will deliver encouraging results. Similarly, the Frieda River project is continuing to achieve development milestones, with the EIS lodged in December 2016, and the independent review received in January 2017. Our cash balance at the end of December was AU\$14.5 million, and we are well placed to deliver strong shareholder returns when commodity prices recover," he said.



**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 675km<sup>2</sup>

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

**Ownership:** In February 2015, Highlands Pacific and a subsidiary of Anglo American Plc formed a joint venture for exploration and development of the Star Mountains project, which includes the Tifalmin lease (EL 1392), Munbil (EL 1781), Benstead (EL 2001), Nong River lease (EL 1312) and the Mt Abemh lease (EL 2467). Under the terms of that joint venture, Anglo American holds the rights to move to an 80% interest in the project, subject to achieving certain spending commitments and completing a bankable feasibility study. The PNG Government retains the right to acquire up to a 30% interest in the project.

**2011 Exploration Program:** Focused on the completion of Stage 1 drilling program on the Olgal prospect.

**2012 Exploration Program:** 5,587m of drilling for 17 holes covering 6 prospect areas.

**2015 Exploration Program:** Nine hole program for a total of 5,387 metres.

**2016/17 Exploration Program:** Four hole program under way

## STAR MOUNTAINS COPPER/GOLD PORPHYRY EXPLORATION

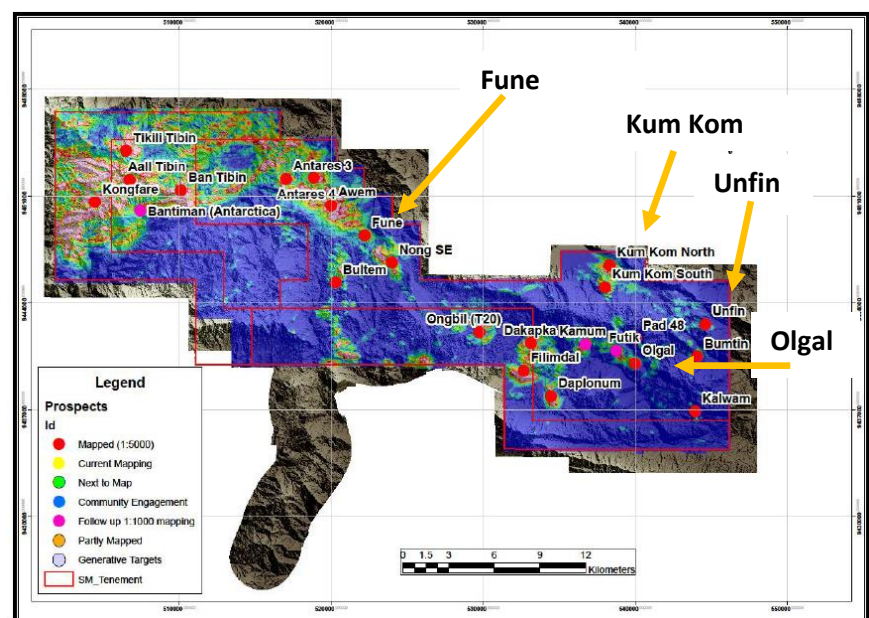
Highlands and its joint venture partner Anglo American plc commenced an exploration drilling program at the Star Mountains in October, 2016. This program increased the exploration expenditure for 2016 to over US\$8 million (funded by Anglo American).

The initial campaign involves four diamond drill holes of approximately 800-1000 metres each at two prospective targets - Unfin and Fune.

The work builds on the earlier drilling completed in 2015 which confirmed the presence of mineralisation in the nearby Olgal and Kum Kom prospects. Aero-magnetic surveys, a 3300km ZTEM survey and extensive prospect mapping over the past 12 months identified Unfin and Fune as two of the most promising untested targets in the tenements. The current drilling is aimed at testing the potential for mineralisation at depth.

At the date of this release, one hole had been completed at Unfin, which reached 1061 metres before drilling ceased. Full assays from that hole are expected in February. The Unfin rig was relocated to the pad constructed for the second hole in early January. At Fune, drilling has been terminated in early January at 750 metres.

The full four hole campaign will continue into the second quarter of 2017.



EL 2467 Mt Abemh covering 160 km<sup>2</sup> to the south of the current tenements was granted during the quarter and an application for ELA 2517 Lake Louise covering ground to the north of the current tenements was lodged during the quarter.





## About Ramu Nickel Cobalt Mine

**Location:** The Kurumbukari mine is connected to the Basamuk treatment plant by a 135km pipeline which is on the coast and 75 km east of the provincial capital of Madang, PNG.

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

**Funding:** MCC Ramu NiCo was responsible for development and financing the project. Highlands share of the project borrowings (capped to a specified development threshold) are held in Highlands' wholly owned subsidiary, Ramu Nickel Limited, and are non-recourse to Highlands Pacific Limited or other group companies. The borrowings are to be repaid out of Ramu Nickel's share of operating surpluses from the project (sales revenue less operating costs and on-going capital expenditure) rather than operating and financing cashflows generated by the Highlands Group.

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

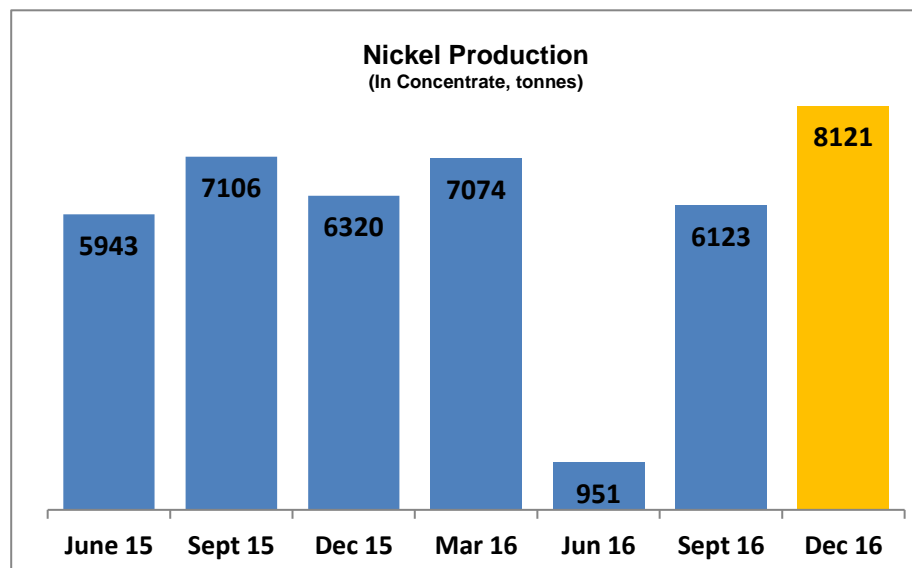
## RAMU NICKEL COBALT MINE (8.56% with potential to move to 20.55%)

The Ramu nickel mine achieved record quarterly production in the three months to December 2016, with the plant operating at full production following an extended shutdown in the three months to July 2016.

After ramping back up in the September quarter, production exceeded nameplate capacity in the months of November and December.

Overall production in the quarter totalled 21,319 dry tonnes of MHP, containing 8,121 tonnes of nickel and 815 tonnes of cobalt.

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



Production in the March quarter of 2017 will be affected by planned maintenance shutdowns for two of the three HPAL trains. The first two week shutdown has been successfully completed in January.

## Financial Performance

The Ramu operation realised a net cash inflow (unaudited) of US\$23 million for the December quarter, after capital expenditure of US\$5.4 million. YTD there has been a net cash outflow (unaudited) of US\$3 million, after capital expenditure of US\$18 million. This cash outflow, working capital requirements and cash calls are being funded by joint venture partner MCC on behalf of the JV and are required to be repaid before any distributions are made.



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

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

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

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

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

**Competent Persons Statement:** The information in this report that relates to Ramu Mineral Resources is based on information compiled by Mr Larry Queen, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Queen was a full-time employee of Highlands Pacific, now a consultant to Highlands Pacific, and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Queen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



## Ramu Ore Reserve

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

Ramu West				
Category	MT	Ni(%)	Co(%)	Rocks +2mm MT
Proved				
Probable	14	0.9	0.1	
<b>Total</b>	<b>14</b>	<b>0.9</b>	<b>0.1</b>	

Global Total	MT	Ni(%)	Co(%)	
	51	1.0	0.1	9

**Competent Persons Statement:** Details contained in this report that pertain to the Ramu Ore Reserve Estimate are based upon, and fairly represent, information and supporting documentation compiled by Mr Patrick Smith, a Member of The Australasian Institute of Mining and Metallurgy CP (Min) and a full-time employee of AMC Consultants Pty Ltd. Mr Smith has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Smith consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information on the Ramu mine is extracted from the report entitled: "Update Resources of the Ramu Nickel-Cobalt Operation, PNG" prepared March 2016 and available on the Company website. 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.





## About Frieda River

**Location:** Located in the north-west of Papua New Guinea.

**Ownership:** Highlands owns 20%. PanAust, a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd. (GRAM) owns 80%.

The Frieda River district endowment totals some 2.8 billion tonnes of mineral resource containing approximately 13 Mt of copper and 21 Moz of gold.

## FRIEDA RIVER COPPER - GOLD PROJECT (20%)

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Highlands Pacific received the independent peer review of the feasibility study (FS) for the Frieda River copper gold project in January 2017. The peer review was conducted by international minerals industry consulting group Behre Dolbear Australia (BDA), following the preparation of the feasibility study by PanAust Limited (PanAust), a wholly-owned subsidiary of Chinese company Guangdong Rising Assets Management Co Ltd. PanAust, the manager and majority owner (80%) of the Frieda River project, released the project FS in May 2016.

For full details of the BDA review, see the ASX announcement released on January 19, 2017, entitled "Frieda River Feasibility Study Review Received".

The Environmental Impact Study (EIS) for the Frieda River project was completed in December and lodged with the PNG Conservation and Environment Protection Authority (CEPA). The study was prepared by highly respected environmental scientists Coffee Environments Australia Pty Ltd. The EIS is the statutory basis for the environmental assessment of the project.

The lodgement of the EIS with CEPA follows the application for a Special Mining Lease for the Frieda River project with the PNG Mineral Resources Authority in June, 2016.

Full details of the feasibility study are included in the ASX release entitled "Frieda Study Received", released on May 19, 2016.

*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.*

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## Frieda River Resources

The Frieda River Copper-Gold Project exploits the HITEK porphyry copper-gold deposits which contain an estimated total combined Measured, Indicated and Inferred Mineral Resource of 2,750 million tonnes. HITEK 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). The estimate was based on data from 464 diamond core drill holes.

### 2015 HITEK Global Mineral Resource estimate (copper cut-off grade 0.2% (total copper))

Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)
Measured	829	0.49	0.27
Indicated	1,018	0.40	0.19
<b>M+I subtotal</b>	<b>1,846</b>	<b>0.44</b>	<b>0.23</b>
Inferred	895	0.38	0.22
<b>MII total</b>	<b>2,742</b>	<b>0.42</b>	<b>0.23</b>

### Horse-Ivaal-Trukai (HIT) Mineral Resource (copper cut-off grade 0.2% (total copper))

Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)
Measured	829	0.49	0.27
Indicated	1,018	0.40	0.19
<b>M+I subtotal</b>	<b>1,846</b>	<b>0.44</b>	<b>0.23</b>
Inferred	273	0.39	0.18
<b>MII total</b>	<b>2,119</b>	<b>0.43</b>	<b>0.22</b>

### Koki Mineral Resource (copper cut-off grade 0.2% (total copper))

Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)
Measured	-	-	-
Indicated	-	-	-
<b>M+I subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>
Inferred	452	0.37	0.25
<b>MII total</b>	<b>452</b>	<b>0.37</b>	<b>0.25</b>

### Ekwai Mineral Resource (copper cut-off grade 0.2% (total copper))

Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)
Measured	-	-	-
Indicated	-	-	-
<b>M+I subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>
Inferred	170	0.38	0.23
<b>MII total</b>	<b>170</b>	<b>0.38</b>	<b>0.23</b>



**Competent Person Statement:** The data in this report that relate to Mineral Resources for Frieda River (HIT, Koki and Ekwai) 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.

Nena Mineral Resources at 0.3% Cu cut off					
Category	MT	Cu(%)	Au(g/t)	As(%)	Sb(ppm)
Indicated	33	2.81	0.65	0.22	153
Inferred	12	1.84	0.45	0.14	88
<b>Total</b>	<b>45</b>	<b>2.55</b>	<b>0.60</b>	<b>0.20</b>	<b>136</b>

**Competent Person Statement:** Details contained in this report that pertain to the Nena Resource Estimates are based upon, and fairly represent, information and supporting documents compiled by Mr Paul Gow. Mr Gow is a Member of The Australasian Institute of Mining and Metallurgy and was a full-time employee of Glencore Xstrata plc at the time the estimate was prepared. Mr Gow has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gow consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

#### 2016 HIT Ore Reserve estimate

Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)
Proved	469	0.51	0.30
Probable	139	0.41	0.16
<b>Ore Reserves</b>	<b>608</b>	<b>0.49</b>	<b>0.27</b>

**Competent Person Statement:** 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 an Australasian Institute of Mining and Metallurgy Chartered Professional, (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 Horse-Ivaal, Trukai, Ekwai and Koki Resource and the HIT Reserve is extracted from the report entitled "Frieda River Study Received" created on 19 May 2016 and available on the Company website. No additional resource drilling or modelling has taken place for the Horse-Ivaal-Trukai deposit since the 19 May 2016 Resource and Reserve Report. Additional resource drilling and testwork have been carried out at Ekwai and Koki. The results of this work are currently being reviewed. An updated Resource and Reserve Report are expected to be released in the near future.

The information on the Nena Resource is extracted from the report entitled "2014 Mineral Resource and Ore Reserve Statements" created on 14 March 2014 and available on the Company website. No additional resource drilling or modelling has taken place for the Nena deposit since the 2014 Resource and Reserve Report

Highlands confirms that, apart from that disclosed above on Ekwai and Koki, 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<sup>2</sup>

## SEWA BAY – NICKEL LATERITE / GOLD EXPLORATION

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Highlands and international trading house Sojitz Group, together with Japanese company Pacific Metals Co. Ltd., have commenced the next stage of exploration at the Sewa Bay tenements in Milne Bay Province, where significant nickel mineralisation previously has been identified.

The exploration activity will include an airborne laser and imagery (LIDAR) survey over the 200 sq km tenement area, to provide detailed topographical mapping. The exploration program will be funded by Sojitz and Pacific Metals, and follows an extensive augur drilling program carried out in 2015, which encountered intercepts including:

- 1.1 metres at 1.61% Ni from surface
- 1 metre at 1.43% Ni from surface
- 2.4 metres at 1.42% Ni from surface
- 1 metre at 1.41% Ni from surface
- 1.9 metres at 1.4% Ni from surface

For full results of the previous exploration, see ASX announcement released on August 18, 2015, entitled "Sewa Bay Update". Highlands confirms that it is not aware of any additional information that materially affects the information included in the original announcement.

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## CORPORATE

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Former CEO John Gooding stepped down in November, and former CFO Craig Lennon took over as Managing Director and CEO, as previously announced in June.

Highlands' financial controller, Ms Sylvie Moser, has taken over as Chief Financial Officer and Company Secretary.

Cash at bank at the end of the September quarter totalled US\$10.5 million (A\$14.5 million).

### Forward Looking Statements

*All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Highlands Pacific Limited are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties.*

*These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Highlands Pacific Limited that could cause Highlands Pacific Limited's actual results to differ materially from the results expressed or anticipated in these statements.*

*Highlands Pacific Limited cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Highlands Pacific Limited does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements.*



## ATTACHMENT 1

### LIST OF MINING TENEMENTS

(All located in Papua New Guinea)

Tenement Reference	Beneficial Interest at Commencement of Period	Beneficial Interest at End of Period	Location - Province
Exploration (Highlands Pacific Resources Limited) EL 1761	100% - Note 1	100% - Note 1	Milne Bay Province
Star Mountains (Highlands Pacific Resources Limited) ELs 1312, 1392, 1781, 2001 and 2467 ELA 2478 and 2571	49% - Note 1 49% - Note 1	49% - Note 1 49% - Note 1	Sandaun Province Sandaun Province
Frieda River Project (Highlands Frieda Limited) ELs 0058, 1895 and 1956 ELs 1212, 1746 and 1957 ELs 1743, 1744, 1745, and 1896	20% - Note 1 20% - Note 1 20% - Note 1	20% - Note 1 20% - Note 1 20% - Note 1	Sandaun Province Sandaun & East Sepik Province East Sepik Province
Ramu Project (Ramu Nickel Limited) SML 8 ML 149 LMPs 42, 43, 44, 45, 46, 47, 48 and 49 MEs 75, 76, 77, 78 and 79 ELs 193 and 2376 (previously 1178)	8.56% 8.56% 8.56% 8.56% 8.56%	8.56% 8.56% 8.56% 8.56% 8.56%	Madang Province Madang Province Madang Province Madang Province Madang Province

**Mining Tenements acquired or disposed of during the quarter** – ELA 2478 and 2571 have been applied for during the quarter and will form part of the Star Mountains joint venture. EL2467 was granted during the quarter and forms part of the Star Mountains joint venture.

**Beneficial percentage interests held in farm-in or farm-out agreements** – all the mining tenements for the Frieda River Project, the Ramu Project and Star Mountains are held in joint venture. The percentage detailed in the table above indicates the percentage held by Highlands.

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

### NOTES

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

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



## Appendix 5b

### MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

**HIGHLANDS PACIFIC LIMITED**

ACN or ARBN

**ARBN 078 118 653**

QUARTER ENDED ("CURRENT QUARTER")

**31 December 2016**

**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 0.7236.

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter	Current quarter	Year to date (12 months)	Year to date (12 months)
	\$US'000	\$A'000	\$US'000	\$A'000
<b>Cash flows related to operating activities</b>				
1.1 Receipts from customers	-	-	5	7
1.2 Payments for:				
- exploration and evaluation (Frieda holding costs) *	(55)	(76)	(455)	(629)
- production (Ramu holding costs) *	(42)	(58)	(167)	(231)
- staff costs**	(1,089)	(1,505)	(3,004)	(4,151)
- administration and corporate costs	(97)	(134)	(585)	(808)
1.4 Interest received	26	36	84	116
1.5 Income taxes (paid)/refund	-	-	3	4
1.6 Other - management fees received from JV management	178	246	613	847
1.7 <b>Net Operating Cash Flows</b>	<b>(1,079)</b>	<b>(1,419)</b>	<b>(3,506)</b>	<b>(4,845)</b>
<b>Cash flows from investing activities</b>				
2.1 Payments to acquire:				
property, plant and equipment	(8)	(11)	(15)	(21)
2.2 Proceeds from the disposal of:				
- investments	-	-	5,000	6,910
2.3 Other - JV contributions received	3,530	4,878	8,702	12,026
Other - JV contributions expended	(2,002)	(2,767)	(8,449)	(11,676)
2.4 <b>Net cash from / (used in) investing activities</b>	<b>1,520</b>	<b>2,100</b>	<b>5,238</b>	<b>7,239</b>

\* Includes staff costs pertaining to these projects

\*\*Includes staff redundancy payments





<b>Cash flows from financing activities</b>				
3.1 Proceeds from issue of shares	-	-	(2)	(3)
3.2 Repayment of borrowings	-	-	-	-
<b>3.3 Net cash from / (used in) financing activities</b>	-	-	(2)	(3)
<b>Net increase (decrease) in cash and cash equivalents for the period</b>	441	609	1,730	2,391
4.1 Cash and cash equivalents at beginning of the period	10,277	13,469	8,990	12,305
4.2 Net cash from / (used in) operating activities (item 1.7 above)	(1,079)	(1,491)	(3,506)	(4,845)
4.3 Net cash from / (used in) investing activities (item 2.4 above)	1,520	2,100	5,238	7,239
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-	(2)	(3)
4.5 Effect of movement in exchange rates on cash held	(192)	469	(194)	(149)
<b>4.6 Cash and cash equivalents at end of period</b>	<b>10,526</b>	<b>14,547</b>	<b>10,526</b>	<b>14,547</b>

**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	4,408	6,092	4,003	5,246
5.2 Call deposits	-	-	-	-
5.3 Bank overdrafts	-	-	-	-
5.4 Other short-term deposits	6,118	8,455	6,274	8,223
<b>5.5 Cash and cash equivalents at the end of quarter</b>	<b>10,526</b>	<b>14,547</b>	<b>10,277</b>	<b>13,469</b>

**Payments to directors of the entity and their associates**

	Current quarter	
	\$US'000	\$A'000
6.1 Aggregate amount of payments to these parties (included in item 1.2)	50	69
6.2 Aggregate amount of cash flow from loans to these parties (included in item 2.3)	nil	nil
6.3 Include below any explanation necessary to understanding of the transactions included in 6.1 and 6.2		

**Payments to related entities of the entity and their associates**

	Current quarter	
	\$US'000	\$A'000
7.1 Aggregate amount of payments to these parties (included in item 1.2)	nil	nil
7.2 Aggregate amount of cash flow from loans to these parties (included in item 2.3)	nil	nil
7.3 Include below any explanation necessary to understanding of the transactions included in 7.1 and 7.2		



#### Financing facilities available

	Amount available		Amount used	
	\$US'000	\$A'000	\$US'000	\$A'000
8.1 Loan facilities	Nil	Nil	n/a	n/a
8.2 Credit standby arrangements	Nil	Nil	n/a	n/a
8.3 Other (please specify)	Nil	Nil	n/a	n/a
8.4 Include below a description of each facility above.				

#### Estimated cash outflows for next quarter

	\$US'000	\$A'000
9.1 Exploration and evaluation		
Nong River / Tifalmin project costs (funded by Anglo American)	-	-
Frieda Holding Costs (joint venture costs funded by PanAust)	70	97
9.2 Development	-	-
9.3 Ramu Production – Holding Costs (joint venture costs funded by MCC)	43	59
9.4 Staff costs	232	321
9.5 Administration and corporate costs	279	386
9.6 Other	-	-
9.7 Total estimated cash outflows	624	863

#### 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.

7.3	<b>+ Ordinary securities</b>	927,777,086	927,777,086		
7.4	Issued during quarter	Nil	Nil	Nil	Nil
	<b>+ Convertible debt securities</b> (description and				
7.5	conversion factor)				
7.6	Issued during quarter				
7.7	<b>Options</b> (description and conversation factor)	<b>Refer Attachment A</b>		<u>Exercise Price</u>	
	Directors' and Executives' Option Incentive Scheme	Nil	Nil	Refer attached	Nil
	Performance Rights Plan	29,755,000	Nil	Refer attached	Nil
7.8	Issued during quarter (Performance Rights)	Nil	Nil	n/a	n/a
7.9	Exercised during quarter (Performance Rights)	Nil	Nil	n/a	n/a
7.10	Expired & lapsed during quarter (Options & PR's)	Nil	Nil	n/a	n/a
7.11	<b>Debentures</b>	Nil	Nil		
	(totals only)				
7.12	<b>Unsecured notes</b> (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: .....

(Director/Company Secretary)

Date: 27 January 2017

Print name: **S MOSER**

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.



## ATTACHMENT A

### HIGHLANDS PACIFIC LIMITED APPENDIX 5B – ITEM 7.7

#### PERFORMANCE RIGHTS (DESCRIPTION AND CONVERSION FACTOR)

Outstanding at the end of the quarter

Details	Issued	Previously Exercised
Exercise Price	A\$0.00	
Number of Performance Rights	12,605,000	
Expiry Date	31 Dec 2016	
(Subject to service and performance conditions)		
Exercise Price	A\$0.00	
Number of Performance Rights	17,150,000	
Expiry Date	31 Dec 2017	
(Subject to service and performance conditions)		

No Performance Rights were issued during the quarter

No Performance Rights were exercised during the quarter

No Performance Rights lapsed during the quarter