9 September 2016

Interim Financial Results 2016

Highlands Pacific Limited has ended the first half of 2016 with a healthy cash balance of US$11.5 million, and has restructured the company and cut costs to preserve cash while commodity prices remain subdued.

The company is positioned to benefit from any recovery in nickel and copper prices, with its key projects in Papua New Guinea providing substantial leveraged exposure to the metals.

The Company today announced net cash outflow from operating activities of US$2.1 million for the six months to June 2016, down from US$2.5 million in the same period to June 2015.

The net operating loss for the period was US$2.6 million, which was up slightly from the US$1.9 million loss recorded in the six months to June 2015. This was due mainly to increased labour expenses, including redundancy costs to be paid in the second half of 2016.

Highlands announced on 30 June 2016 that it was restructuring to reduce costs, conserve cash and reposition the company to deal with a potentially extended period of subdued commodity prices.

As part of that restructure, Managing Director John Gooding elected to leave the organisation at the end of November 2016, to be replaced by the company's current Chief Financial Officer Craig Lennon.

The restructuring also involved the departure of a number of senior executives and a 20% reduction in remuneration for all remaining senior executives and directors.

During the current year, the company will be focused on a new exploration drilling campaign at its Star Mountains tenements in Sanduan Province, being funded by joint venture partner Anglo American plc. The Company also is continuing to work with its joint venture partner on the permitting and development of the Frieda River copper/gold project.

Highlands' other asset, the 8.56% interest in the Ramu nickel project near Madang, is ramping back up to full production. Persistently depressed nickel prices and a fatality which closed down the operation for an extended period led to an operating loss at Ramu in the half year. Highlands has recorded a US$3.6 million operating loss for its share of the Ramu financial result. In addition, Highlands has written down the value of its Ramu investment by US$15 million, reflecting the change in published forecast consensus nickel pricing, from December 2015 to June 2016.

These factors resulted in the Group incurring a loss for the half year at US$23.6 million, compared with a loss of US$10.2 million for the same period in 2015.

For further information:
Joe Dowling
Stockwork Corporate Communications
0421 587755

HIGHLANDS PACIFIC

ASX Code: HIG
PoMSox Code: HIG
Shares on Issue: 928 million
Performance Rights: 30 million

Directors
Ken MacDonald, Chairman
John Gooding, Managing Director
Mike Carroll
Dan Wood
Bart Philemon

Management
Craig Lennon, CFO & MD/CEO Elect
Larry Queen, Chief Geologist
Peter Jolly, GM Projects
Ron Gawi, GM Port Moresby
Leslie Nand, GM Exploration Projects

Investor and Media Enquiries to:
Joe Dowling - 0421 587755

Website:
www.highlandspacific.com

About Highlands Pacific Limited
Highlands Pacific is a PNG incorporated and registered mining and exploration company listed on the ASX and POMSoX exchanges. Its major assets are interests in the producing Ramu nickel cobalt mine and the Frieda River copper gold project; with exploration in progress in the Star Mountains. Highlands also has exploration tenements at on Normanby Island (Sewa Bay).

Star Mountains Prospects
The Star Mountains exploration tenements, which include Nong River EL1312, Mt Scorpion EL1781, Munbil EL2001 and Tifalmin EL1392, are located approximately 20km north of the Ok Tedi mine, in the West Sepik Province, PNG. They lie within the highly prospective New Guinean Orogenic Belt, which hosts the Grasberg, Ok Tedi, Porgera and Hidden Valley mines, as well as the Frieda deposit. The joint venture with partner Anglo American substantiates the world class potential and has enabled an extensive exploration program to be commence in 2015.

Ramu Nickel Cobalt Mine
The producing Ramu nickel cobalt mine is located 75km west of the provincial capital of Madang, PNG. Highlands 8.56% interest in Ramu will increase to 11.3% at no cost to Highlands after repayment of its share of the project debt. Highlands also has an option to acquire an additional 9.25% interest in Ramu at fair market value, which could increase the company's interest in the mine to 20.55%, if the option is exercised.

Frieda River Copper/Gold Project
The Frieda River copper gold project is located 175kms north-west of the Porgera gold mine and 75km north-east of the Ok Tedi mine. Highlands has a 20% interest in the project and Frieda River Limited (FRL) (a wholly owned subsidiary of PanAust Limited which in turn is a wholly owned subsidiary of Guangdong Rising Assets Management Co. Ltd.) 80%.

CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 30 JUNE 2016

2016

HIGHLANDS PACIFIC

Diversified Mineral Resource Company

Director's Report

Your Directors present their report on the consolidated entity consisting of Highlands Pacific Limited and its subsidiaries (the "Group") for the half-year ended 30 June 2016.

This report should be read in conjunction with the Annual Report.

Directors

The following persons were Directors of Highlands Pacific Limited during the whole of the half-year and up to the date of this report:

John Gooding (Managing Director)

Ken MacDonald (Chairman)

Mike Carroll

Dan Wood

Bart Philemon

Results and Dividends

The net loss from ordinary activities after income tax for the Group for the half-year is US$23.6 million (half year 2015: US$10.2 million). The loss includes the following items:

- impairment of the carrying value of the Groups' investment in the Ramu Nickel mine by US$14.5 million as a result of the change in published forecast consensus nickel pricing, from December 2015 to June 2016, in the short to medium term;
- labour costs of US$1.9 million which includes US$0.6 million for redundancy payments;
- consultants and administrative costs of US$0.6 million.
- interest charge of US$3.2 million on non-recourse borrowings relating to the Group's interest in the Ramu Nickel mine; and
- an operating loss of US$3.6 million for the 6 months to June 2016 for the Group's interest in the Ramu Nickel mine.

There is no dividend paid or recommended.

Review of operations

The Group's principal activities were exploring for minerals and carrying out studies on prospective mineral deposits either in their own right or in joint ventures with the objective of developing mining operations. During the last six months exploration activities continued at our Star Mountains Copper/Gold Project managed by ourselves with funding provided by our joint venture partner Anglo American plc ("Anglo American"). Guandong Rising Asset Management Co. Ltd. ("GRAM"), through its wholly owned subsidiaries PanAust Limited ("PanAust") and Frieda River Limited ("FRL"), our joint venture partner in the Frieda River Project, delivered the Frieda River Project Feasibility Study and the Frieda River Joint Venture lodged a Special Mining Lease application with the PNG Mineral Resources Authority. At the Ramu Nickel mine, production continued to ramp-up to name plate capacity, however this progress stopped for nearly three months due to a fatality that occurred in April 2016. Operations at Ramu Nickel mine recommenced in early July 2016.

This report is made in accordance with a resolution of Directors.

Ken MacDonald
Chairman

9 September 2016

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2016

	Notes	June 2016 US$000	June 2015 US$000
Finance income		41	41
Other revenue		4	4
Total Operating Income		**45**	**45**
Labour costs		1,910	931
Consultants and services costs		246	428
General and administration costs		335	449
Depreciation and amortisation	2	33	37
Net foreign exchange (gain) losses		83	124
Total Operating Costs		**2,607**	**1,969**
Interest expense		(3,178)	(2,619)
Reversal of provision of exploration costs	3	287	5,294
Impairment of non-current assets	4	(14,534)	(8,838)
Share of operating loss of equity accounted investments	4	(3,574)	(2,064)
(Loss) from operations before income tax		**(23,561)**	**(10,151)**
Income tax (expense) benefit		-	-
(Loss) for the period		**(23,561)**	**(10,151)**
Other comprehensive income for the period		-	-
Total comprehensive income (loss) for the period		**(23,561)**	**(10,151)**
Basic Earnings per share			
From continued operations		(0.0254)	(0.0110)
Diluted Earnings per share			
From continued operations		(0.0254)	(0.0110)

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2016

	Share Capital US$000	Fair Value & Other Reserves US$000	Retained Earnings (losses) US$000	Total US$000
Half-Year ended 30 June 2016				
Balance at 1 January 2016	303,913	(5,149)	(289,973)	8,791
Net losses	-	-	(23,561)	(23,561)
Transaction with owners in their capacity as owners				
Issue of share based payments	-	486	-	486
Issue of share capital	(2)	-	-	(2)
Balance at 30 June 2016	**303,911**	**(4,663)**	**(313,534)**	**(14,286)**
Half-Year ended 30 June 2015				
Balance at 1 January 2015	303,914	(5,588)	(221,961)	76,365
Net profit / (loss)	-	-	(10,151)	(10,151)
Transaction with owners in their capacity as owners				
Issue of share based payments	-	163	-	163
Issue of share capital	(1)	-	-	(1)
Balance at 30 June 2015	**303,913**	**(5,425)**	**(232,112)**	**66,376**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	June 2016 US$000	December 2015 US$000	June 2015 US$000
CURRENT ASSETS				
Cash and cash equivalents		11,533	8,990	10,471
Receivables		682	6,656	857
		12,215	**15,646**	**11,328**
NON-CURRENT ASSETS				
Property, plant and equipment	2	208	234	269
Exploration and evaluation expenditure	3	36,951	36,487	26,600
Investment in Ramu Nickel mine	4	70,000	85,000	150,000
		107,159	**121,721**	**176,869**
TOTAL ASSETS		**119,374**	**137,367**	**188,197**
CURRENT LIABILITIES				
Trade and other payables	5	1,764	2,472	1,802
Borrowings	6	452	2,000	3,000
Provisions		307	289	289
		2,523	**4,761**	**5,091**
NON-CURRENT LIABILITIES				
Borrowings	6	131,111	123,796	116,710
Provisions		26	19	20
		131,137	123,815	116,730
TOTAL LIABILITIES		**133,660**	**128,576**	**121,821**
NET ASSETS / LIABILITIES		**(14,286)**	**8,791**	**66,376**
SHAREHOLDERS' EQUITY				
Contributed Equity	7	303,911	303,913	303,913
Reserves		(4,663)	(5,149)	(5,425)
Retained earnings (losses)		(313,534)	(289,973)	(232,112)
TOTAL SHAREHOLDERS' EQUITY		**(14,286)**	**8,791**	**66,376**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2016

	June 2016 US$000	June 2015 US$000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from other operations	4	4
Interest from investments	33	45
Income tax refund / (paid)	3	(2)
Payments to suppliers and employees	(2,169)	(2,571)
Net cash (outflow) from operating activities	**(2,129)**	**(2,524)**
CASH FLOW FROM INVESTING ACTIVITIES		
Exploration, evaluation and development	(5,273)	(3,932)
Contributions from joint venture partners	4,699	4,678
Receipt from recovery of exploration costs	5,298	5,279
Purchase of property, plant and equipment	(7)	(11)
Net cash inflow from investing activities	**4,717**	**6,014**
CASH FLOW FROM FINANCING ACTIVITIES		
Costs associated with issue of ordinary shares	(2)	(1)
Net cash (outflow) from financing activities	**(2)**	**(1)**
Net increase / (decrease) in cash and cash equivalents	**2,626**	**3,489**
Cash and cash equivalents at the beginning of the half-year	8,990	7,106
Effects of exchange rate changes on cash and cash equivalents	(83)	(124)
Cash and cash equivalents at end of the half-year	**11,533**	**10,471**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows *(continued)*

For the half-year ended 30 June 2016

Reconciliation of net (loss) after taxation to cash flow from operating activities

	June 2016 US$000	June 2015 US$000
Reported Net Loss after Taxation	**(23,561)**	**(10,151)**
Add (less) non-cash items:		
Depreciation	33	37
(Reversal) of provision for exploration costs	(287)	(5,294)
Fair value of share based payments	486	163
Effects of exchange rate changes on cash and cash equivalents	83	124
Impairment of non-current assets	14,534	8,838
Share of operating loss of equity accounted investments	3,574	2,064
Interest expense	3,178	2,619
	21,601	8,551
Add (less) movements in working capital items:		
(Increase) in debtors and prepayments	(127)	-
(Decrease) in creditors and provisions	(42)	(924)
	(169)	**(924)**
Net Cash Flow from Operating Activities	**(2,129)**	**(2,524)**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 30 June 2016

1. STATEMENT OF ACCOUNTING POLICIES

Highlands Pacific Limited and its subsidiaries (together the "Group") carry out exploration and development activities. All of the Group's activities are carried out in Papua New Guinea, where the Company is incorporated and domiciled. The registered office is in Port Moresby, Papua New Guinea.

The Company is listed on both the Australian Securities Exchange and the Port Moresby Stock Exchange.

The condensed consolidated interim financial report for the half-year reporting period ended 30 June 2016 has been prepared in accordance with International Accounting Standard IAS 34: Interim Financial Reporting and other generally accepted accounting practice in PNG.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by Highlands Pacific Limited during the interim reporting period in accordance with the continuous disclosure requirements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Of the Group's borrowings, US$125.2 million relate to the Group's interest in the Ramu Nickel mine and are owing to MCC Ramu Nico Limited. These borrowings are held in the Goup's wholly owned subsidiary Ramu Nickel Limited, and are non-recourse to the Group or Parent entity Highlands Pacific Limited, and are to be repaid out of (and to the extent of) the Group's share of operating surpluses from the Ramu Nickel mine (sales revenue less operating costs and on-going capital expenditure) rather than operating or financing cashflows generated by the remainder of the Group. Refer notes 4 and 6. Accordingly, notwithstanding the net liability position at 30 June 2016, the directors have prepared the interim financial report on a going concern basis.

2. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings US$000	Plant and Equipment US$000	Total US$000
Consolidated - 30 June 2016			
Cost			
Balance at 1 January 2016	232	571	803
Additions	-	7	7
Cost 30 June 2016	232	578	810
Depreciation			
Balance at 1 January 2016	130	439	569
Charge for the year	9	24	33
Depreciation Carried forward	139	463	602
Net Book Value at 30 June 2016	**93**	**115**	**208**

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the half-year ended 30 June 2016

3. EXPLORATION AND EVALUATION EXPENDITURE

	Frieda US$000	Other US$000	Total US$000
Balance 1 January 2016	**26,887**	**9,600**	**36,487**
Capitalised during the period			
Direct holding cost	388	11	399
Interest on Frieda carried funding loan	76	-	76
Management fee (reduction of previous exploration expenditure provision)	-	(298)	(298)
Provision of exploration costs	-	287	287
Balance 30 June 2016	**27,351**	**9,600**	**36,951**

FRIEDA

The carrying value of the Group's interest in the Frieda River project is US$27.4 million for the period. The US$0.5 million increase represents Highlands' direct holding costs in overseeing its interest in the Frieda River project and the capitalization of interest on the Carried Funding Loan owed to FRL, (a wholly owned subsidiary of PanAust, which is in turn a wholly owned subsidiary of GRAM). Refer note 5.

In assessing the carrying value of the Group's interest in the Frieda River project the Directors have adopted a fair value less cost to sell valuation methodology. The valuation has been based on the transaction between PanAust and Glencore plc previously announced to the market, together with the additional activities and expenditure undertaken by FRL.

PanAust is responsible for 100% of the costs incurred by the Frieda River Joint Venture to finalise the definitive feasibility study for PanAust's development concept and will appoint and fund the cost of an independent expert to provide a peer review. PanAust is responsible for 100% of the costs to maintain the Frieda River project site, assets and community relations programmes up to the date of lodgement of the Mining Lease or Special Mining Lease ("SML") application accompanied by the requisite completed Feasibility Study.

PanAust, on behalf of the Frieda River Joint Venture, submitted an SML application to the PNG Mineral Resources Authority on 24 June 2016. This lodgement satisfied a condition of the key Exploration License (EL58) that an application for a SML in respect of the Frieda River project be made on or before 30 June 2016. Funding of the further work subsequent to the lodgement of the SML application remains the subject of discussion between Highlands and PanAust.

The Group's expenditure to date on the Frieda River project is US$46 million.

OTHER

This represents the Star Mountains project and the Sewa Bay project.

On 11 February 2015, the Group executed Joint Venture and Farm-in agreements for the Star Mountains project with a wholly owned subsidiary of Anglo American. The agreements resulted in Highlands receiving a total of US$10 million from Anglo American, in two tranches of US$5 million each, with Anglo American obtaining an undivided 51% interest in the project and associated property including tenements. As a result of the transaction with Anglo American a carrying value of US$9.6 million was recognised during the 2015 year.

The exploration programs managed by the Group on the Star Mountains project and the Sewa Bay project result in the Group receiving fees, which are applied to previous exploration expenditure, giving a reversal of prior provisions for exploration costs.

The Groups' expenditure to 30 June 2016 on the Star Mountains project, net of receipt of management fees and payments from Anglo American, is US$17.7 million.

4. INVESTMENT IN RAMU NICKEL MINE

	30 June 2016 US$000	31 December 2015 US$000	30 June 2015 US$000
(i) Summarised financial information for Ramu Nickel mine			
Current Assets	170,863	165,336	230,666
Non-current Assets	1,801,362	1,806,680	1,838,015
Current Liabilities	91,934	90,605	182,872
Non-current Liabilities	29,935	25,612	22,440
Net Assets	1,850,356	1,855,799	1,863,369
Group's share of net assets	158,390	158,856	159,504
Provisions for impairment	(88,390)	(73,856)	(9,504)
Investment at recoverable amount	70,000	85,000	150,000
Reconciliation to carrying amounts:			
Opening net assets 1 Jan 16	85,000	160,738	158,767
Share of associated entity's production costs	(8,023)	(15,550)	(8,151)
Share of associated entity's other comprehensive income/(loss)	(2,160)	(7,352)	(3,538)
Share of additional contribution	9,717	21,020	12,426
Provision for impairment	(14,534)	(73,856)	(9,504)
Closing net asset 30 Jun 16	**70,000**	**85,000**	**150,000**
(ii) Interest in Ramu Nickel mine			
Revenue	7,578	18,882	9,950
Other indirect costs	(882)	(708)	-
Share of associated entity's production costs	(8,023)	(15,550)	(8,151)
Share of associated entity's other comprehensive income/(loss)	(2,160)	(7,352)	(3,538)
Direct holding costs	(87)	(525)	(325)
Share of associated entity's total comprehensive income/(loss)	**(3,574)**	**(5,253)**	**(2,064)**
(iii) Sale of MHP Product			
Share of associated entity's MHP Products (Wet Metric Tonnes)	6,670	12,477	5,990
Revenue from sales of MHP products	7,577	18,865	9,942
Other revenue	1	17	8
(iv) Loan payable to MCC Ramu Nico Limited			
Balance as at 1 Jan 2016	119,533	108,100	108,100
Further funding for cash calls	1,595	6,993	4,088
Sales commission payable to MCC Ramu Nico Limited	515	-	-
Interest accrued	3,178	5,663	2,619
Loan Repayment	-	(1,223)	(1,290)
Additional drawdown	403	-	-
Balance as at 30 Jun 2016	125,224	119,533	113,517

On 1 January 2015 the Group nominated into the Ramu Nickel mine. From this point the Group commenced receiving its pro-rata share of operating surpluses and will contribute to its share of operating deficits and its share of on-going capital expenditure requirements.

On nomination the Group recognised a loan balance owing by the Group to MCC Ramu NiCo Limited for its 8.56% share of capped development costs plus accumulated interest for monies paid by MCC Ramu NiCo Limited to lenders on behalf of the Group up to 1 January 2015. These borrowings are non-recourse to the Company and the Group (excluding Ramu Nickel Limited) and will be repaid by Ramu Nickel Limited out of its share of operating surpluses less on-going capital expenditure requirements at the current agreed rate of 80% of this net distribution. This repayment methodology is due for re-negotiation prior to 31 December 2017.

The ramp-up to nameplate capacity is continuing, for the 2015 year the operation achieved an annualized average production rate of 78%. The 2016 year was targeted to achieve 95% however a fatality at the operation caused the project to be shut down from 12 April until 21 July.

The carrying value of the Group's interest in the Ramu Nickel mine has been reduced to US$70 million as a result of the change in published forecast consensus nickel pricing, from December 2015 to June 2016, in the short to medium term. In assessing the carrying value of its interest in the Ramu Nickel mine, the Directors have adopted a value in use (VIU) methodology in reference to the present value of the expected future cash flows before financing from 2016 through to the 2031. The calculations use cash flow projections based on financial budgets covering the period from 2016 to 2031.

Key assumptions

The key assumptions and estimates used in determining the VIU are related to commodity prices, discount rates, operating costs, exchange rates and capital expenditures.

The following key assumptions were used in impairment and fair value testing:

Assumptions	2016	2015	Nomination 2014
Nickel Price	US$4.20 – US$8.42	US$4.90 – US$9.39	US$9.70 – US$10.45
Cobalt Price (US/Lb)	US$12.58 – US$13.70	US$12.58 – US$13.70	US$14.07 – US$13.53
LOM years	15 years	15 years	16 years
Production Rate	70% - 100%	90% - 100%	75% - 100%
After tax discount rate (Real)	10.29%	10.29%	11.30%

Sensitivities

Management performed a sensitivity analysis on the commodity price of nickel, which is the key assumption that impacts impairment calculations. While holding all other assumptions constant, a positive 10% movement in the price assumption range for nickel results in a movement in the present value of future cash flows of approximately US$11 million, while a negative 10% movement results in a reduction of US$12 million.

Holding all other assumption constant, a change in WACC to 9.5% would result in an increase in the present value of future cashflows of US$4 million and change in WACC to 11% would result in a decrease of US$3 million.

Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of the asset relatively modest changes in one or more assumptions could require a material adjustment (negative or positive) to the carrying value of the related non-current asset within the next reporting period. The inter-relationships of the significant assumptions upon which estimated future cashflows are based are such that it is impracticable to disclose the extent of the possible effects of changes in all key assumptions in isolation.

5. TRADE AND OTHER PAYABLES

	Consolidated	
	June 2016	December 2015
	US$000	US$000
Current		
Trade creditors	55	206
Accruals and other creditors	1,709	2,266
	1,764	**2,472**

On 30 June 2016 the Group announced the results of a strategic review which amongst a range of cost reduction measures included a number of redundancies and departures. An amount of US$628,000 has been booked in the above "Accruals and other creditors" amount for these departures.

Amounts not expected to be settled within the next 12 months

Other creditors include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. Current leave obligations expected to be settled after 12 months are US$153,000 (2015 December: US$168,000).

6. BORROWINGS

	Consolidated	
	June 2016	December 2015
	US$000	US$000
Current		
Loan from MCC Ramu NiCo Limited**	452	2,000
	452	**2,000**
Non-Current		
Loan from FRL*	6,339	6,263
Loan from MCC Ramu NiCo Limited**	124,772	117,533
	131,111	**123,796**

*The Carried Funding Loan represents the amount owing to FRL (a wholly owned subsidiary of PanAust, which is in turn a wholly owned subsidiary of GRAM) as at 30 June 2016. This loan is as a result of FRL carrying the Group's share of expenditure on the Frieda project from 23 January 2012 up until 25 August 2014, the date on which former joint venture partner Glencore divested its interest. The Carried Funding Loan has been classified as a financial liability in accordance with IAS32 Financial Instruments - Presentation and measured at amortised cost. Interest on the loan of US$76,492 has been accrued and capitalised into the exploration and evaluation expenditure balance, in accordance with IAS 23 Borrowing Costs. This loan balance will continue to accrue interest at a rate of "US$ one month LIBOR" plus 2% and is repayable by Highlands out of production cash flows.

**These borrowings relate to the Group's interest, held in the wholly owned subsidiary Ramu Nickel Limited, in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These borrowings represent the Group's 8.56% share of principal repayments (capped to a specified development threshold) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of the Group, plus any accumulated interest charged by MCC Ramu Nico Limited. The borrowings are held in the Group's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the rest of the Group or Parent entity Highlands Pacific Limited. The borrowings are to be repaid out of the Group's share of operating surpluses (sales revenue less operating costs and on-going capital expenditure) rather than operating and financing cashflows generated by the group. Refer note 4(iv).

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the half-year ended 30 June 2016

7. CONTRIBUTED EQUITY

Paid Up Capital	June 2016 US$000	December 2015 US$000	June 2016 Shares 000's	December 2015 Shares 000's
Balance brought forward	303,913	303,914	920,578	918,695
Issued during the period	-	-	7,200	1,883
Less costs associated with issue	(2)	(1)	-	-
Balance carried forward	**303,911**	**303,913**	**927,778**	**920,578**

The total number of shares issued as at 30 June 2016 was 927,777,086. In accordance with the Papua New Guinea Companies Act 1997 the Company's shares are fully paid, have no par value and there is no authorised capital level.

8. SEGMENT REPORTING

30 June 2016	Exploration US$000	Frieda US$000	Ramu US$000	Corporate US$000	Group US$000
Segment revenue	-	-	-	45	45
Segment result	287	-	(21,286)	(2,562)	(23,561)
Net Profit / (Loss)	287	-	(21,286)	(2,562)	(23,561)
Segment assets	9,600	27,351	70,000	12,423	119,374
Impairment of assets	-	-	(14,534)	-	(14,534)
Segment liabilities	(763)	(6,339)	(125,224)	(1,334)	(133,660)
Acquisition of segment assets	-	-	-	7	7
Segment depreciation and amortisation	-	-	-	(33)	(33)

30 June 2015	Exploration US$000	Frieda US$000	Ramu US$000	Corporate US$000	Group US$000
Segment revenue	-	-	-	45	45
Segment result	5,294	-	(13,521)	(1,924)	(10,151)
Net Profit / (Loss)	5,294	-	(13,521)	(1,924)	(10,151)
Segment assets	-	26,600	150,000	11,597	188,197
Impairment of assets	-	-	(9,504)	-	(9,504)
Segment liabilities	(911)	(6,194)	(113,516)	(1,200)	(121,821)
Acquisition of segment assets	-	-	-	-	-
Segment depreciation and amortisation	-	-	-	(37)	(37)

30 June 2015	Exploration US$000	Frieda US$000	Ramu US$000	Corporate US$000	Group US$000
Segment assets	14,600	26,887	85,000	10,880	137,367
Segment liabilities	(1,105)	(6,319)	(119,693)	(1,459)	(128,576)

9. EVENTS OCCURRING AFTER BALANCE DATE

Nil

Directors' declaration

In the opinion of the Directors:

1. The financial statements and notes set out on pages 3 to 14 are in accordance with:
   a. International Financial Reporting Standard IAS34: Interim Financial Reporting and other mandatory professional reporting requirements; and
   b. give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
2. There are reasonable grounds to believe that Highlands Pacific Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

Ken MacDonald
Chairman

9 September 2016

Independent Auditor's Review Report

to the Directors of Highlands Pacific Limited

Report on the condensed interim financial statements

We have reviewed the accompanying condensed interim financial statements, being a special purpose financial report, of Highlands Pacific Limited (the Company), which comprise the condensed statement of financial position as at 30 June 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date and other selected explanatory notes for the Group. The Group comprises the Company and the entities it controlled at 30 June 2016 or from time to time during the half-year.

The condensed interim financial statements do not contain all the disclosures required for the full financial statements under generally accepted accounting practice in Papua New Guinea. Reading these condensed interim financial statements, therefore, is not a substitute for reading the annual financial statements of the Company.

Directors' responsibility for the condensed interim financial statements

The Directors of the Company are responsible for the preparation of these condensed interim financial statements such that they present fairly the matters to which they relate in accordance with IAS 34 'Interim Financial Reporting' and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the condensed interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' in order to state whether, on the basis of the procedures described, anything has come to our attention that makes us believe that the condensed interim financial statements do not present fairly the matters to which they relate. As the auditor of the Company, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed interim financial statements of Highlands Pacific Limited do not present fairly the Group's financial position as at 30 June 2016 and its financial performance and cash flows for the half-year ended on that date in accordance with IAS 34 'Interim Financial Reporting'.

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Independent Auditor's Review Report

Highlands Pacific Limited

Restriction on distribution or use

This report is made solely to the Directors of the Company, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in our review report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors of the Company, as a body, for our review work, for this report or for those conclusions we have formed.

PricewaterhouseCoopers

PricewaterhouseCoopers

Christopher Hansor
Partner

Registered under the Accountants Act 1996

Port Moresby
9 September 2016

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