



## Quarterly Activities Report - for the period ended 30 June 2016

### ASX Code: HIG

Shares on Issue: 928 million  
Performance Rights: 30 million  
Shareholders: ~7,500

**Market Cap: A\$60m** (6.5c-per-share)

**Cash at Bank\*: A\$15.5m**

### Directors

Ken MacDonald, *Chairman*  
John Gooding, *Managing Director/CEO*  
Mike Carroll  
Dan Wood  
Bart Philemon

### Management

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

### For further information, please contact:

Joe Dowling  
Stockwork Corporate  
Communications  
0421 587755

[www.highlandspacific.com](http://www.highlandspacific.com)

## HIGHLIGHTS

### Corporate

- The Highlands Pacific Board of Directors announced on June 30 that it was implementing a change in strategy to reduce costs and preserve cash.
- MD/CEO John Gooding, has elected to leave the organisation in November, to be replaced by current CFO Craig Lennon.
- In addition, a number of senior managers are leaving the business and executives and Directors have taken a 20% reduction in pay. Executive bonus schemes also have been suspended.
- The changes are expected to yield annual savings of approximately A\$1.75 million.
- Cash at Bank totaled US\$11.5 million (A\$15.5 million) at the end of June.

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

- Frieda River feasibility study received during the quarter.
- Special Mining Lease application submitted to the PNG Mineral Resources Authority on June 24, 2016.

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

- Operations were suspended from April 12 following the failure of a high pressure steam pipeline that resulted in the tragic fatality of one employee and the injury of two others.
- Full investigation conducted by external party and formal inquiry conducted by the PNG Mineral Resources Authority Mines Inspectorate.
- Remedial work subsequently carried out and production resumed in early July.
- Sales and shipments of stockpiled nickel/cobalt concentrate (MHP) continued during the quarter.

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

- Following completion of the 2015 drilling campaign, exploration activity during the June quarter was focused on analysis of results of an airborne electrical resistivity ZTEM survey flown over the entire 515 square kilometre tenement area and extensive field work including tenement mapping, rock chip and soil sampling.
- Results from the survey and field work will assist in identifying targets for the next drilling campaign.

**Highlands Pacific Managing Director John Gooding said the Company had made significant advances in the June quarter:** "The release of the Frieda River feasibility study and the lodgement of the Special Mining Lease application represent significant milestones for the Company, and provide an appropriate time for Highlands to commence the transition to a new MD/CEO. Craig Lennon has a wealth of experience and is perfectly positioned to take over as Managing Director as we continue to bring our various projects to fruition, while conserving cash resources. The Company's suite of valuable projects provides investors with significant leverage to the rebounding nickel and copper prices over the coming years, as well as significant exploration upside through the exciting Star Mountains project."



## 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 12.9 Mt of copper and 20.4 Moz of gold.

The Joint venture manager PanAust has completed a feasibility study and a Special Mining Lease application has been submitted to the PNG Mineral Resources Authority.

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

---

Highlands Pacific received the Frieda River Project Feasibility Study from its joint venture partner PanAust in May.

The Study contemplates a project comprised of a large-scale, open-pit mining operation feeding ore to a conventional process plant with nominal throughput capacity of 40 million tonnes per annum. Average annual production of metal in concentrate is 175,000 tonnes of copper and 250,000 ounces of gold, with an initial mine life of 17 years. The project is designed to have an average life of mine C1 cash cost of US\$0.69/lb<sup>1</sup> of copper and an all in sustaining cost of US\$1.23/lb<sup>2</sup> of copper.

The Study concludes that the project will have an estimated initial pre-production capital cost of US\$3.6 billion, excluding mobile mining fleet and an oil fired power generation facility. An additional US\$2.3 billion will be spent over the life of the mine on development and sustaining capital.

PanAust, on behalf of the Frieda River Joint Venture, has subsequently submitted an application to the PNG Mineral Resources Authority for a Special Mining Lease.

The SML application comprises a Proposal for Development, which incorporates the feasibility study report and further supporting documents including an Employment and Training Plan, Landownership Study, and Business Development, Supply and Procurement Plan. An Environmental Impact Statement is scheduled for submission in the December quarter 2016.

Full details of the 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.*

---

<sup>1</sup> C1 cash cost: Brook Hunt convention for the reporting of direct cash costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content and metal prices of US\$3.30/lb copper, US\$1,455/oz gold and US\$23/oz silver.

<sup>2</sup> All-in sustaining cost: the C1 cash cost plus royalties, corporate support and shared services costs; and, sustaining capital; and lease principal and interest charges.



### 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. Resource drilling is currently being carried out at Ekwai and Koki and an updated Resource is expected in the fourth quarter 2016.

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 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 Ramu Nickel Cobalt Project

**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 project 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 project'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 Project), with a number of other Chinese end user entities holding the remaining 39%.

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

The Ramu nickel project resumed operation in early July following a three month outage from April 12, when operations were suspended at the Basamuk process plant after the failure of a high pressure steam pipeline resulted in the tragic fatality of one employee and the injury of two others.

The operator of the project, the Metallurgical Corporation of China (MCC) engaged an external contractor to conduct a thorough investigation of the incident, including a full review of systems integrity and safety procedures.

Remedial work was subsequently carried out and two of the three High Pressure Acid Leach (HPAL) trains at the plant resumed operations in early July. Further repairs have been made to the third train, where the failure occurred, and this train has now resumed operations at the time of writing.

Despite the interruption to production, sales and shipments of stockpiled nickel/cobalt concentrate (MHP) continued during the quarter.

	2015 Sept Qtr	2015 Dec Qtr	2016 Mar Qtr	2016 June Qtr
<b>Ore Processed (dry kt)</b>	753	656	725	88
<b>MHP Produced (dry t)</b>	17,763	16,024	17,848	2,439
<b>Contained Ni (t)</b>	7,106	6,320	7,074	951
<b>Contained Co (t)</b>	704	626	694	93
<b>MHP shipped (dry t)</b>	13,795	14,579	17,467	12,684
<b>Contained Ni (t)</b>	5,489	5,696	6,786	4,968
<b>Contained Co (t)</b>	543	539	664	489

### Financial Performance

The project realised a net cash outflow (unaudited) of US\$9.3 million for the June quarter, after capital expenditure of US\$0.2 million. This cash outflow is being funded by joint venture partner MCC.



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

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

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

<b>Greater Ramu</b>			
<b>Category</b>	<b>MT</b>	<b>Ni(%)</b>	<b>Co(%)</b>
<b>Inferred</b>	60	1.0	0.1

<b>Global Total</b>	<b>MT</b>	<b>Ni(%)</b>	<b>Co(%)</b>
	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 is a full-time employee of 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 project is extracted from the report entitled: "Update Resources of the Ramu Nickel-Cobalt Operation, PNG" prepared March 2015 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 515km<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) and the Nong River leases (EL 1312). 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.*

## **STAR MOUNTAINS COPPER/GOLD PORPHYRY EXPLORATION**

---

Following the release of the final assay results from the 2015 exploration drilling campaign in the March quarter, the focus of activity moved to target identification and planning for the next stage of exploration.

Nine holes were drilled in the 2015 campaign for a total of 5387 metres, with results confirming the presence of copper/gold mineralisation at the Olgal and Kum Kom prospects which were the focus of the campaign.

Since the beginning of 2016, additional exploration has been carried out, including a airborne electrical resistivity survey ZTEM conducted by helicopter over more than 3300 line kms. Results from the survey have been undergoing analysis during the June quarter together with extensive field work including tenement mapping, rock chip and soil sampling, as well as stream sediment sampling. This work will assist in identifying additional exploration targets for future campaigns.





**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**

---

Discussions are continuing with exploration partner Sojitz regarding further drilling at Sewa Bay.

---

## **CORPORATE**

---

A strategic review was concluded in June to focus on conservation of cash by the reduction of operating costs. As a result Managing Director, Mr John Gooding, has elected to finish with Highlands at the end of November 2016, after nine and a half years as Managing Director.

He is to be replaced by Mr Craig Lennon, who has been the Chief Financial Officer of the Company for the past ten years. Highlands' current financial controller, Ms Sylvie Moser, will take over as Chief Financial Officer and Company Secretary.

The senior management team is being reduced by three and Directors and all senior executives have taken a 20% pay cut from 1 July 2016. The changes triggered contractual entitlements estimated at A\$1 million but ongoing annual savings are in the order of AU\$1.75 million.

For full details, see ASX announcement of June 30, 2016, entitled Strategic Review Outcomes.

Cash at bank at the end of the June quarter totalled US\$11.5 million (A\$15.5 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 and 2001	49% Note 1	49% - Note 1	Sanduan 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	Sanduan Province Sanduan & 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 – nil.**

**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

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")

30 June 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 0.7426.

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter \$US'000	Current quarter \$A'000	Year to date (6 months) \$US'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>				
1.1 Receipts from product sales and related debtors	2	3	4	5
1.2 Payments for:				
(a) exploration and evaluation (Frieda holding costs)	(274)	(369)	(387)	(521)
(b) development	-	-	-	-
(c) production (Ramu holding costs)	(47)	(63)	(87)	(117)
(d) administration	(774)	(1,042)	(1,871)	(2,520)
1.3 Dividends received	-	-	-	-
1.4 Interest and other items of a similar nature received	16	22	33	44
1.5 Interest and other costs of finance paid	-	-	-	-
1.6 Income taxes (paid)/refund	3	4	9	12
1.7 Other - management fees received from JV management	120	162	222	299
<b>Net Operating Cash Flows</b>	<b>(954)</b>	<b>(1,285)</b>	<b>(2,077)</b>	<b>(2,797)</b>
<b>Cash flows related to investing activities</b>				
1.8 Payment for purchases of:				
(a) prospects	-	-	-	-
(b) equity investments	-	-	-	-
(c) other fixed assets	-	-	(7)	(9)
1.9 Proceeds from sale of:				
(a) prospects	-	-	5,000	6,733
(b) equity investments	-	-	-	-
(c) other fixed assets	-	-	-	-
1.10 Loans to other entities	-	-	-	-
1.11 Loans repaid by other entities	-	-	-	-
1.12 Other - JV contributions received	1,175	1,582	4,477	6,029
Other - JV contributions expended	(2,000)	(2,693)	(4,766)	(6,418)
<b>Net investing cash flows</b>	<b>(825)</b>	<b>(1,111)</b>	<b>4,704</b>	<b>6,335</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,779)</b>	<b>(2,396)</b>	<b>2,627</b>	<b>3,537</b>



<b>flows related to financing activities</b>				
Costs associated with issues of shares, options, etc	-	-	(2)	(3)
Proceeds from sale of forfeited shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	-	-	-	-
Dividends paid	-	-	-	-
Other	-	-	-	-
<b>Net financing cash flows</b>	-	-	(2)	(3)
<b>Net increase (decrease) in cash held</b>	(1,779)	(2,396)	2,625	3,534
Cash at beginning of quarter/year to date	13,465	17,585	8,990	12,305
Exchange rate adjustments to item 1.20 - unrealised	(153)	341	(82)	(309)
<b>Cash at end of quarter</b>	<b>11,533</b>	<b>15,530</b>	<b>11,533</b>	<b>15,530</b>

**Payments to directors of the entity and associates of the directors**
**Payment to related entities of the entity and associates of the related entities**

	Current quarter	
	\$US'000	\$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	61	82
1.24 Aggregate amount of loans to the parties in item 1.10	nil	nil
1.25 Explanation necessary for an understanding of the transactions	<div style="border: 1px solid black; padding: 2px; display: inline-block;">Refer Quarterly Report</div>	

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	<div style="border: 1px solid black; padding: 2px; display: inline-block;">None</div>
2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	<div style="border: 1px solid black; padding: 2px; display: inline-block;">None</div>



#### Financing facilities available

	Amount available		Amount used	
	\$US'000	\$A'000	\$US'000	\$A'000
3.1 Loan facilities	Nil	Nil	n/a	n/a
3.2 Credit standby arrangements	Nil	Nil	n/a	n/a

#### Estimated cash outflows for next quarter

	\$US'000	\$A'000
4.1 Exploration and evaluation		
Wau/Bulolo	-	-
Nong River / Tifalmin project costs (funded by Anglo American)	-	-
Frieda Holding Costs (joint venture costs funded by PanAust)	127	171
Total Exploration and evaluation	127	171
4.2 Development		
Other	-	-
Total Development	-	-
4.3 Ramu Production - Holding Costs (joint venture costs funded by MCC)	95	128
4.4 Administration	783	1,054
<b>Total</b>	<b>1,005</b>	<b>1,353</b>

#### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$US'000	Current quarter \$A'000	Previous quarter \$US'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,347	7,199	8,720	11,388
5.2 Deposits at call	-	-	-	-
5.3 Bank overdraft	-	-	-	-
5.4 Other short-term deposits	6,186	8,330	4,745	6,197
<b>Total cash at end of quarter (item 1.22)</b>	<b>11,533</b>	<b>15,530</b>	<b>13,465</b>	<b>17,585</b>

#### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of qtr	Interest at end of qtr
6.1 Interests in mining tenements relinquished, reduced or lapsed		Refer Attachment 1 in Quarterly Report		
6.2 Interests in mining tenements acquired or increased		Refer Attachment 1 in Quarterly Report		


**Issued and quoted securities at end of current quarter**

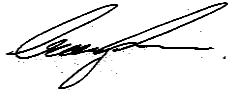
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 <b>Preference + securities</b> (description)				
7.2 Issued during quarter				
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 conversation 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 under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company Secretary)

Date: 28 July 2016

Print name: **C T LENNON**

### 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 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.



## 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