



Annual Report

30 June 2017

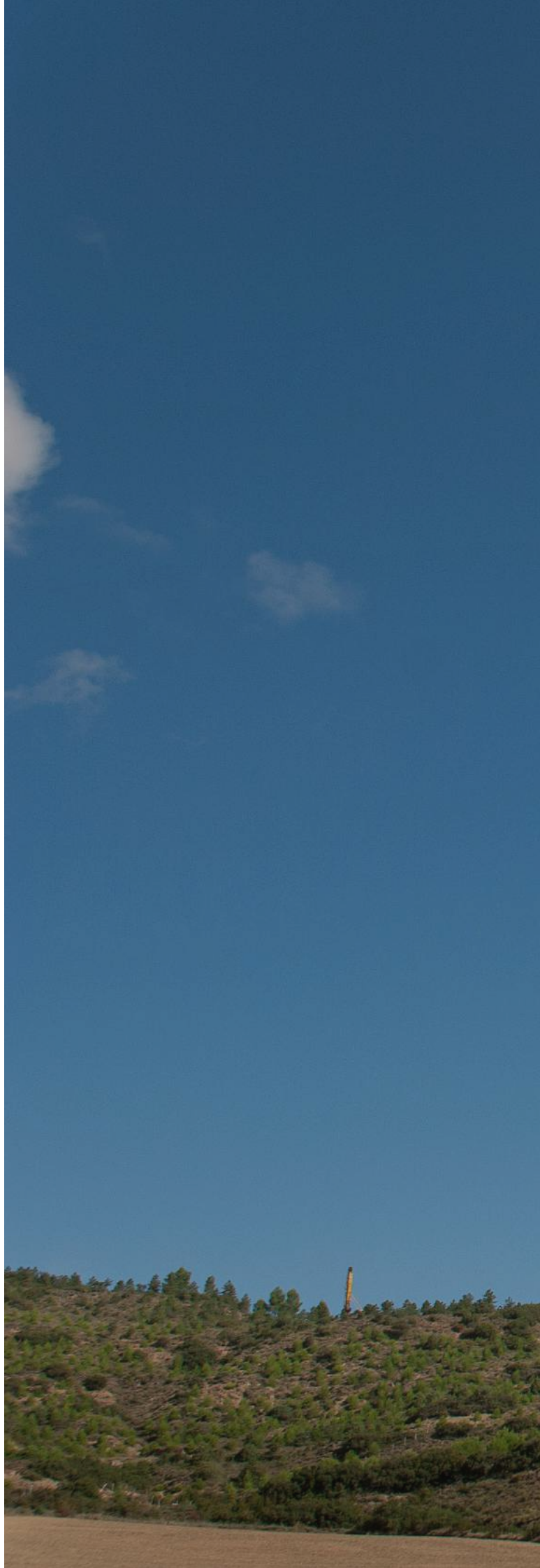
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Corporate Directory

Directors

Mr. Derek Carter (Non-Executive Chairman)

Mr. Peter Albert (Managing Director & CEO)

Ms. Pauline Carr (Non-Executive Director)

Mr. Richard Crookes (Non-Executive Director)

Mr. Jim Dietz (Non-Executive Director)

Mr. Owen Hegarty (Non-Executive Director)

Company Secretary

Mr. Donald Stephens

Registered Office & Principal Place of Business

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Share Registry

Advanced Share Registry Pty Ltd
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NEDLANDS WA 6009

Telephone: +61 8 9389 8033

Facsimile: +61 8 9389 7871

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Telephone: +61 8 9227 7500

Facsimile: +61 8 9227 7533

Stock Exchange

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: HFR



Chairman's Letter

Dear Shareholders

The last year has been one of steady progress for the Company, with advances made in both permitting and project engineering for our flagship Muga Mine. This progress positions the Company to commence construction of its Muga Project as soon as all requisite permits are received. As a result of developments announced in July, the Company is more confident than ever of receiving its environmental permit.

After commencing with the Company on 1 September 2016, Managing Director Mr. Peter Albert has used his wealth of mine-building experience to position the Company to be able to confidently commence and complete construction which will enable Highfield to achieve its vision of building a successful, sustainable potash business.

Although potash prices experienced another subdued year in comparison to their long term average, they have continued their steady rebound from the very low levels seen in the previous financial year. This improvement gives us confidence that the medium and long term outlook for the commodity is as strong as ever, and we remain committed to building a business which can profitably operate in any market environment. We are fortunate that Muga is an asset which we believe will make this objective a reality.

I would like to thank my fellow Board members, the management team and all of our employees for their efforts during the year. Moreover, I would like to thank all of our patient shareholders for their continued support and I look forward to a successful next year.

Derek Carter

28 September 2017



Chief Executive Officer's Letter

Dear Shareholders

The past year has been a year of some disappointment followed by increasing confidence. By the end of 2016 we understood that there was substantially more work to do to obtain the all-important environmental permit. In early 2017, we assembled a team of external consultants as well as bolstered the in-house team. Since then, we have submitted a more expansive and detailed environmental document, enhanced the working relationships with all the relevant authorities and seen the environmental permitting authorities move another step forward in the award process. I am confident that this provides the Company with the best opportunity for a successful outcome.

Whilst a great deal of focus has by necessity been on the drive to achieve a successful environmental permit outcome, the team has taken the opportunity to ensure that once the requisite construction permits are received, the project can confidently move into the construction phase as fast as possible. To support this effort a number of international consultants have been engaged to review specific project aspects. This work is currently ongoing and the output will be a restatement of the detailed project scope including costs and schedule. This is expected to be completed in the first quarter of 2018.

Another initiative this year has been the appointment of Spanish advisors to both Highfield and our local company, Geocalci. These individuals are respected Spanish nationals who are able to provide insight to the Company as it seeks to cement Muga as a worthy, valued and sustainable enterprise in the Navarra and Aragón Provinces of Spain.

As the permits have not yet been received, it is recognised that overall the year has been a little "rocky" for many of our stakeholders; the community who want the mine built to help the growth and development of the area; the employees

who are so keen to see the project start to "come out of the ground"; the Board and management who have an absolute belief in the outstanding credentials and long term future of the business, and of course our long-standing shareholders who have continued to be so supportive. Nonetheless the management team has a strong belief and commitment that the project will receive its environmental permit and thereafter the necessary construction permits, and that we will be able to start satisfying the desires of all stakeholders.

I would like to take this opportunity to thank my whole team for the commitment, support and dedication they have shown and delivered over the past year. I would also like to thank my fellow Board members for their support, guidance and advice as we have navigated through some difficult times during the year.

I am convinced we have a great project and whilst we also have a pipeline of potential growth opportunities, our first and overriding priority is to bring the Muga Mine into operation.

I am looking forward to a challenging, exciting and successful 2018.

Peter Albert

28 September 2017





Sustainability Report







About this section:

This executive summary sets out highlights of our sustainability performance for the year ended 30 June 2017.

Highfield Resources, with its subsidiary Geoalcali, has elected to prepare a standalone sustainability report based on Global Reporting Initiative ("GRI") Standards. GRI is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. The purpose of our Sustainability Report 2017 is to explain how we approach our obligation to operate in a sustainable manner, and how we plan ahead to ensure our future performance will meet high standards of sustainability in the communities in which we operate.

To learn more about our sustainable performance visit:

www.highfieldresources.com.au/sustainability-reports/



A Message from our CEO

“Our commitment to sustainability remains firm, we want to serve as a best practice example in the Spanish mining industry”.

We want to contribute to the economic and social development of the regions in which we operate, generating value and working responsibly with the environment and our stakeholders for decades to come.

I am pleased to present our third Sustainability Report based on the GRI Standards, an internationally recognised standard for sustainability reporting.

During the year, we redefined our Vision and Corporate Values by establishing four core values, Commitment, Respect, Excellence and Attitude (“CREA”) that we believe are fundamental to the Company’s future success. These transparently state the basis upon which we will successfully build a sustainable potash business around a profitable and environmentally respectful project, whilst always taking into account the interests of all our stakeholders.

We have centred our efforts in the year on obtaining permits for the Muga Mine, whilst maintaining continuous communication with stakeholders in order to foster dialogue and community participation in the development of Muga Mine.

We remain convinced that incorporating sustainability into our business strategy provides a unique advantage for our business. An example of this is the innovative voluntary Public Participation Plan, which has established formal channels of participation with the residents of the area. We are pioneers in the development of this initiative by promoting the involvement of stakeholders in the development of all phases of our project.

In addition, we have continued to drive initiatives, including via the Geoalcali Foundation, in order to optimise our social

performance and thereby secure and maintain support for our project. During the year, the Foundation aligned itself with the 2030 Agenda for Sustainable Development, by establishing the following strategic pillars: initiatives that promote quality education, action that influences the reduction of social inequality, development projects for sustainable cities and action for environmental protection.

We have also adhered to the social responsibility plans for Navarra and Aragón’s regional agendas, aligning ourselves with the governments’ strategies, aimed at promoting sustainability in companies.

Regarding the environment we have also incorporated a series of measures to minimise the potential negative impacts from the Muga Mine on the environment, by optimising its design and incorporating improvements to guarantee the best environmental and social outcomes.

Peter Albert
Chief Executive Officer

Sustainable Performance Highlights

Our sustainability strategy is built up from our corporate vision and from our core values and governance processes which ensure that we work in the right direction and in the right way. This includes listening to feedback from our stakeholders, from whom we have identified a number of Material Topics which in turn shape the commitments we make to the environment and to society. We have considered how our corporate objectives align with our efforts in meeting these commitments. Finally, we set performance measures to help us learn and improve.



Our Business

Committed to business ethics and responsible management

Revisions to the Ethics Code and inclusion of new policies to ensure management transparency

The Directors of Highfield Resources Limited and its controlled entities are committed to achieving and demonstrating robust corporate governance practices which are appropriate to the Group's size and stage of development and which facilitate the long term performance and sustainability of the Company as well as protect and enhance the interests of its shareholders. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board, with the assistance of its Committees regularly reviews its governance practices to ensure they remain consistent with the needs of the Group. In addition, the Group monitors developments in governance market practice, expectations and regulations. The Group complies with the majority of recommendations set out in the Australian Securities Exchange ("ASX") Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition (the "ASX Principles"). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the entire 2017 financial year and remain in place.

During this reporting period, the Company has included a Whistle-blower Protection Policy within its Code of Ethics in order to strengthen its commitment to prevent inappropriate business behaviour.

The Group publishes its corporate governance policies, code of conduct and its Board and committee charters on Highfield's website at www.highfieldresources.com.au/corporate-governance. Additional information that is relevant to this corporate governance statement can also be found in the Group's annual report for the year ended 30 June 2017.

Renewal of certifications

ISO 9001

Quality Management

ISO 14001

Environmental Management

UNE 22480

Sustainable Mining

OSHAS 18001

Occupational Health and Safety Management

Redefinition of our values Vision & Values



Compromiso Respeto Excelencia Actitud

CREA

Commitment Respect Excellence Attitude

Our Vision

"To build a successful, sustainable, potash business with respect for stakeholders and the environment."

Our Core Values

Commitment

We are committed to best practices in health and safety, the environment, and the communities in which we operate.

Respect

To act and communicate collaboratively with transparency, sincerity and an understanding of cultural diversity.

Excellence

To seek to continuously improve through a cycle of goal-setting, accountability, evaluation and innovation, resulting in enhanced value creation.

Attitude

To uphold the highest standards in regards to ethical performance, honesty, integrity, fairness and equality with all stakeholders.

Corporate Social Responsibility Certificates

As part of Geocalci's strong commitment to Corporate Social Responsibility, the company has adopted regional CSR Programs promoted by the Government of Navarra (InnovaRSE) and the Government of Aragón (RSA).



Optimised Muga Mine Project

From the outset of the Project we have been committed to a sustainable and intelligent design to minimise the impact of the mine and process plant on the surrounding areas.



Acoustic barriers and coverings of vegetation to be installed around the mine's footprint to reduce its visual impact.



Environmental, Social and Governance leadership

Board of Directors



Derek Carter
Non Executive Chairman



Pauline Carr
Independent Non Executive Director



Richard Crookes
Non Executive Director



Jim Dietz
Independent Non Executive Director



Owen Hegarty
Non Executive Director



Peter Albert*
Managing Director and CEO

Committed to business ethics and responsible management



Mike Norris
Chief Financial Officer



John Claverley
General Manager



Gonzalo Mayoral
Permitting Manager



Hayden Locke
Investor Relations



Ricardo Pérez
External Relations



Javier Olloqui
Human Resources

Implementing Sustainability



Eva Driessen
Geocal Foundation Director



Susana Bieberach*
Communications and CSR



Laura Bass*
Environment Department



Pelayo Iglesias
Health and Safety Manager

*Members of the Sustainability Work Group



Permitting Process of Muga Mine

On 28 April 2017 Geocali presented the updated Environmental Impact Study (EIA) on the Muga Mine Project to the Ministry of Agriculture and Fisheries, Food and Environment (MAPAMA).

The updated EIA was prepared in response to the request made by MAPAMA on 12 December 2016 and constitutes an update to the initial EIA submitted in December 2014.

The updated EIA brings together in one document the improvements and suggested recommendations from the administrative process, basically made up of the following:

- Public information and consultation phase with stakeholders (Article 36 of Law 21/2013, 9th December, Environmental Assessment)
- Technical analysis (Article 40 of Law 21/2013 9th December, Environmental Assessment)
- Advancement of the Engineering detail by the technical team of Geocali since December 2014, as well as updates of complementary desk top and field studies.

All of the improvements included in the EIA make possible the reduction of the environmental impact of the project and increase its monitoring capability.

In addition to the improvements included in the project itself, the updated EIA has compiled all the complementary studies that have made it possible to achieve these improvements and optimise the process of the EIA through increased knowledge of the environment and the effects of the project.

For more information on developments in the Group's business, including each of its projects, see the Directors' Report which commences on page 22 of this Annual Report 2017 or visit:






<https://www.highfieldresources.com.au/asx-releases/>

Our Environment

Towards minimising our environmental impact

From the outset, in the design phase of the Muga Project, the Company has implemented measures to minimise potential negative impacts on the environment.

During this reporting period, an additional number of improvements have been made which will make the Muga Mine a reference project in the mining sector in Europe. From an environmental point of view, new analyses, studies and initiatives have been carried out to ensure high standard environmental and social outcomes. Some of these improvements are summarised below.

<h3>Improvements to the location</h3> <p>of the facilities taking advantage of the hills and valleys in order to locate the process plant, ponds, offices and other features with the least visual impact to the neighbouring towns and points of cultural interest.</p>	<h3>Improvements to the design of the dams</h3> <p>in order to maintain the natural surroundings and reuse the salt water for the process plant and backfilling.</p> 	<p>Initiatives with environmental associations to protect biodiversity. Continually monitoring the local wildlife population.</p> 
<p>Design and management of water, using safe and suitable preventative measures, to minimise the risks of water pollution, generation and storage of salt water, and impact on aquifers and underground water courses.</p> 	<p>Reusing the excavated earth to construct noise and visual barriers as well as for water protection.</p> 	<p>Production of salt as a saleable by-product thereby reducing surface wastematerial.</p>
<p>The location of the mine openings in close proximity to the process plant resulting in shorter transport routes, avoiding crossing the Camino de Santiago as well as increasing the distance between the mine and the nearest urban town centre.</p> 	<p>Incorporating the use of renewable energy for hot water and reducing atmospheric emissions.</p> 	<p>Incorporating the use of technology and methods to reduce atmospheric emissions.</p> 
<p>Optimisation of the placement of power lines in order to help to protect the biodiversity of the area.</p> 	<h3>Mine Closure</h3> <p>Commitment to meet regulations to ensure proper and full reclamation of the site at the end of the mine life.</p>	
<h3>Additional complementary studies:</h3> <ul style="list-style-type: none"> • Wildlife Studies • Archaeological Studies • Visibility Studies • Subsidence Studies • Seismicity Studies • Studies in respect of impacts on public water resources • Backfilling Studies • Traffic and Transport Studies • Socioeconomic Studies • Social Acceptance Studies 		

Our Community

Commitment and collaboration with social entities and communities

86% of the citizens' participation is favourable to the project



Innovation award

presented to the Foundation for Growing Healthy Together (Crecer Juntos + Sanos) Program by the Foundations of Navarra



Growing Healthy Together school program to raise awareness of healthy eating and sustainability implemented in over **3,500 schools in Navarra and Aragón**

Enhancing our commitment to transparency

more than 22 communication updates to the local community

23 commitments to the local community



In October 2016, Geocalci officially presented to the mayors of the regions of Sangüesa and Cinco Villas, 23 commitments that the Company has undertaken as a result of the voluntary Public Participation Process.



To learn more about our 23 commitments visit: www.geocalci.com/participacion-ciudadana/

Committed to Public Participation and open communication

Our objective as a company is that the Muga Mine develops with transparency and the involvement and collaboration of all stakeholders, especially local communities, establishing direct communication channels that allow us to develop this initiative with the best outcomes for everyone. In this way, within its Corporate Social Responsibility (CSR) strategy and its 2015 Public Participation and Communication Plan, Geocalci undertook a voluntary public participation for the Muga Mine, conducted between April and June 2016. Responding to the recommendation made by the Government of Navarra, the objective

of this process was to understand first hand and through the local leaders, the opinions of, and the information required by, the associations, administrations and people located near the Muga Mine project. For them, Geocalci provided a public participation without precedent in the sector, developing actions that go beyond the required regulations. In doing so, we have complied with current legislation pertaining to public participation (Law 27/2006) and environmental evaluation (Law 21/2013). Separately, the mandatory legal procedure of Official Public Consultation was also carried out in 2015 as part of the permitting process.



Results of the Voluntary Public Participation Process can be found at: www.geocalci.com/participacion-ciudadana/



Working sessions with Mayors of the region to discuss local community citizens' participation on Muga project



Open participation of citizens during the public sessions carried out in June 2016.

Geoalcali Foundation

Community development is much more than philanthropy, and should not be used as a substitute for other social responsibility measures. It is not an isolated gift to the community, but an ongoing relationship between the organisation and the community. Bearing this in mind, many agreements have been reached with local communities, associations, foundations, social entities and representatives of the communities involved.

All of these initiatives aim to promote community participation and are aligned with the recommendations of the ISO 26000 Social Responsibility Guide for stakeholders and the United Nations Sustainable Development Goals ("SDG").



QUALITY EDUCATION



SOCIAL INTEGRATION



SUSTAINABLE COMMUNITIES



COMMITTED TO THE ENVIRONMENT

At a Glance

ISO 26000 recommendation/SDG	Participation of the Foundation in the Community	Geoalcali Foundation Pillars
<p>Social Investment that promotes Social and Economic Development through Tourism</p>  	<p>1st Mountain Race of Competition Cars to Petilla de Aragón</p> <p>Rural Sport Day</p> <p>La Conquista del Castillo</p> <p>Restoration of La Súbita</p>	    
<p>Initiatives that promote Health</p>     	<p>Children Against Cancer</p> <p>Urriés Sports Association</p> <p>Cantolagua Sports Club – Skating Club</p> <p>Education program for Basketball coaches in Sangüesa</p> <p>Sponsored the registration of young people</p> <p>Medical and ambulance expenses</p>	     
<p>Development and Access to Technology</p>    	<p>The creation of the City Council of Liédena web page</p> <p>Sponsoring IT material for educational purposes in IES FP Lumbier School</p> <p>Alta Cinco Villas Community e-learning program</p>	   

ISO 26000 recommendation/SDG

Participation of the Foundation in the Community

Geoalcali Foundation Pillars

<p>Promotion of Education and Culture</p> 	Training courses in Javier	
	Support Liedena's cultural heritage initiatives	
	Support Petilla de Aragón cultural heritage initiatives	
	Support Caseda cultural events	
	European Heritage Days in Gabarderal	
	Navarran Guard Dog Association	
	Penultimate trip of the Irati train school history programme	 
	Brotherhood of Santa Bárbara festivities	
	Restoration of the San Bartolomé Hermitage in Rocaforte	
	Restoration of the Altarpiece of the church of San Esteban de Yesa	
<p>Employment Creation and Activity Development</p> 	Supported the creation of social employment in Liédena	
	The OrganiK project	 
	Nursery School in Sos del Rey el Católico	 
<p>Social Investment</p> 	New water treatment plant in Urriés	 
	Cadete football tournament, "Castiliscar Histórica"	
	School transport services for Undués de Lerda	
	"Family Respite" program, allowing carers the chance to take a short holiday	
	Collected funds for the assistance of orphaned and abandoned children	
	Charity gala to raise for solidarity projects for children with disabilities	
	San Bartolomé Recreational and Cultural Society	

Commitment to both the Academic and Professional world

Navarra's Public University

In March 2017, Geoalcali was invited to the Public University of Navarra's Faculty of Business and Economic Sciences to give a seminar to an Administration and Business Management class about the Muga Mine Project.



Peter Albert presents the fundamentals of the Geoalcali project to the students

Montan Universität – University of Leoben

In September 2016 the Chairman and students of Engineering, Mining and Economics of Minerals at the University of Leoben (Austria) visited Geoalcali to learn first hand the characteristics of the Muga Mine project. This university toured nine mining projects in Spain and chose Geoalcali as one of its study projects.

During the visit, the project was explained, and the visitors were shown the workings of an exploration campaign and the requirements that must be fulfilled in respect to audits when evaluating a deposit. They also visited the area where the facilities will be located.



Students from the University of Leoben at the location of the future mine

School of Mining Engineering of Madrid at the Technical University of Madrid (ETSIME)

Geoalcali collaborated with the university in a scientific research project on Compressed Air Energy Storage (CAES) in its project engineering laboratory, directed by Professor D. Bernado Llamas Moya. Geoalcali participated by providing footwall salt samples for a campaign of laboratory tests aimed at characterising the geomechanical behaviour of salt.

Participation in Professional events

Geoalcali participated with other Navarran companies in the CSR Forum organised by Caixa Forum and Diario de Navarra to exchange experiences and better practices in CSR.

Sponsorship

Geoalcali was one of the sponsors of the International Mining and Metallurgy meeting organised by the National Confederation of Employers of Mining and Metallurgy (CONFEDEM) in Madrid. This meeting aimed to demonstrate the intention of the mining and metallurgical industries to operate within the framework of excellence and sustainability. This year, the fourth edition of the Sustainable Metallurgical Mining Forum was held with EUROMINES, which brought together its Policy Committee (with Sustainability Certification as one of its key themes) and the AMC in Madrid (Canada's Mining Confederation), a counterpart of CONFEDEM. The two parties maintain close relations and a signed Letter of Intent with an agreed agenda of work to arrive at a "merger" of GMMS (Mining Management Sustainable Metallurgy) and TSM (Towards Sustainable Mining) within eleven months.

Our People

Working towards a Healthy Environment

Work Life balance measures for a healthy workplace environment

During the year, we put in place a Work Life Balance Plan, as a development in our Equality Policies, further to the Equality Plan launched last year. As a result, the Navarra business institution awarded Geocali its Reconcilia, or Work Life Balance, certificate in recognition of its pioneering efforts to establish work life balance measures. Notable among these is flexibility of working time, with a set number of working hours but flexibility in start and finish times and the ability to use IT systems to participate and attend meetings remotely, at times when family needs require an employee to be away from the office.



Award of the Reconcilia certificate

Promoting healthy habits among employees

Different initiatives have been launched to improve the health and fitness of employees within a Healthy Living Program. These include encouragement of fresh fruit in place of processed foods and voluntary mindfulness sessions. Employees are also encouraged to participate in the Solidarity Challenge, competing with other companies. Kilometres are collected through various types of physical exercise and are then converted into donations to good causes. In addition to the health benefits for our staff who participate, this program has helped to promote the importance of healthy living throughout our organisation and helps our staff to make a contribution to good causes outside the company.



Healthy Living

Launching of our Healthy Living program for employees to promote a healthy lifestyle



Initiatives to promote internal communications and team building:

- Coffee talks
- Breakfasts with the CEO
- Team building exercises



Teambuilding exercise 2017 - as part of Geocali's strategy to promote a healthy environment among departments, the Company organised its first teambuilding experience in 2017.



Geocali has led the Solidarity Challenge by contributing the most kilometres per person in Navarran companies, demonstrating their solidarity with social causes.

Geoalcali again meets the requirements of Spain's Bonus Prevention Incentive system bonus for effective Health and Safety performance in 2016

For the second year running, Geoalcali met the conditions to be able to qualify for the bonus for the calendar year 2016. This government scheme incentivises companies that are committed to reducing the number of accidents at work and take effective actions to reduce occupational risks, thereby reducing accidents in the workplace and occupational illness.

The conditions Geoalcali met to earn this bonus were:

- Invest more than €5,000 in combating occupational risks.
- General and extreme incident rates to be lower than the established limits in the ESS/56/2013.
- Not to have been punished for serious breaches in the area of prevention or Social Security.
- To be aware of fulfilment of the rules regarding Social Security contributions.
- To comply with the basic requirements for preventing risks in the work place by means of self-declaration on preventative activities, in accordance with Decree TIN/1448/2010.
- To have made documented investments in facilities, processes or teams in terms of preventing risks at work that contribute to the elimination or reduction of risks.
- To have carried out the following actions:
 - Voluntary implementation of an external assessment of the prevention system;
 - Implementation of a mobility plan to prevent accidents on the way to or during work; and
 - Certification OHSAS 18001.

251 HOURS DEDICATED TO HEALTH AND SAFETY TRAINING

Health and Safety talks

Geoalcali continued with monthly safety talks for the whole workforce, to address specific safety issues in a sequence of short meetings aimed to increase Health and Safety awareness among all employees. Talks were given about: statistics of accidents in potash mining, heatstroke, post-vacation syndrome, health promotion, mine ventilation, confined spaces and mining rescue.



ZERO ACCIDENTS

Geoalcali's staff did not have any accidents during the financial year and the objective of Zero Accidents was therefore met.

Similarly, the contracting companies or subcontractors that work for Geoalcali experienced no accidents during the financial year, also fulfilling our objective of Zero Accidents.

Directors' Report





The Directors present their report for Highfield Resources Limited ("Highfield Resources", "Highfield", or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2017.

Directors

The names, qualifications and experience of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.



Mr. Derek Carter

Non-Executive Chairman, BSc, MSc, FAusIMM(CP)

Mr. Carter has over 40 years' experience in exploration and mining geology and management. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur Gold Ltd in 1993. He is the former Chairman of Minotaur Exploration Ltd (resigned November 2016), and a former board member of Intrepid Mines Ltd (resigned November 2015) and Mithril Resources Ltd (resigned December 2014), all ASX listed companies.

Mr. Carter is a former President of the South Australian Chamber of Mines and Energy, former board member of the Australian Gold Council, is a member of the South Australian Minerals and Energy Advisory Council and the South Australian Minerals and Energy Council, and a former Chairman of the Minerals Exploration Advisory Group. He was awarded AMEC's Prospector of the Year Award (jointly) in 2003 and is a Centenary Medallist.



Mr. Peter Albert (appointed 1 September 2016)

Managing Director and Chief Executive Officer, BSc (Hons), EMBA, FAusIMM, MIOM3, CEng

Mr. Albert has over 30 years' experience in project management, general management and operations management in mining and minerals processing in Australia, Africa and Asia. Mr. Albert is a metallurgist and holds an Executive MBA degree. He is a Member of the Institute of Materials, Minerals and Mining (London), a Fellow of the Australasian Institute of Mining and Metallurgy ("AusIMM") and a Chartered Engineer. Mr. Albert was awarded the "Mining CEO of the Year" at the 2012 Asia Mining Congress. Mr. Albert was also awarded the "Mining Executive of the Year" at the 2013 Asia Mining Congress.

Before joining the Company, Mr. Albert held CEO roles with two Hong Kong listed organisations, Jinchuan Group International Resources Company and G-Resources Group. He has held leadership and senior executive roles with OZ Minerals Limited, Oxiana Limited, Shell-Billiton (Australia), Aker Kvaerner (Australia) and Johannesburg Consolidated Investments (South Africa). In the three years immediately before the end of the financial year, Mr. Albert held no other directorships of any listed companies.



Ms. Pauline Carr

Non-Executive Director, BEcon, MBA, FAICD, FCIS, FGIA

Ms. Carr has over 25 years' commercial experience in management, corporate governance and compliance, mergers and acquisitions, investor and stakeholder relations and corporate restructures. She currently provides business improvement, compliance, risk management, project management and corporate governance solutions to executive management teams internationally. Prior to this, Ms. Carr held senior positions with Newmont Asia Pacific and ASX listed Normandy Mining Limited and worked for a number of years in the oil and gas sector with Exxon Mobil. She sits on several Boards and is Deputy Chairman of the South Australian Minerals and Energy Advisory Council and the Minerals and Petroleum Expert Group. In the three years immediately before the end of the financial year, Ms. Carr held no other directorships of any listed companies.



Mr. Richard Crookes

Non-Executive Director, BSc (Geology), Grad Dip Applied Finance

Mr. Crookes has over 28 years' experience in the resources and investments industries. He is a geologist by training having worked in the industry most recently as the Chief Geologist and Mining Manager of Ernest Henry Mining in Australia (now Glencore). Prior to Mr. Crookes joining EMR Capital as an Investment Director he was an Executive Director in Macquarie Bank's Metals Energy Capital (MEC) Division where he managed all aspects of the Bank's principal investments in mining and metals companies as well as the origination of numerous Project Finance transactions. Mr. Crookes has extensive experience in deal origination, evaluation, structuring, post-acquisition management, client relationship management, marketing and execution of investment entry and exits for both private and public resources companies in Australia and overseas. In the three years immediately before the end of the financial year, Mr. Crookes held no other directorships of any listed companies.



Mr. Jim Dietz

Non-Executive Director, B.Eng (Chem), M.Eng (Chem)

Mr. Dietz has over 42 years' experience in the fertiliser, chemical and petroleum industries, primarily in senior operational roles. From 2000 until 2010, he was Chief Operating Officer of Potash Corporation of Saskatchewan ("PotashCorp"), the world's largest fertiliser company. Prior to that position, Mr. Dietz held a variety of other senior management roles, including President of Nitrogen, during his 17 year career with PotashCorp. During that time, Mr. Dietz was responsible for global operations as well as Safety, Health, and Environment performance and Procurement. Mr. Dietz also represented PotashCorp on the Board of Directors of Arab Potash Company. Mr. Dietz is a Chemical Engineer and holds both a Masters and Bachelors designation from the Ohio State University. In the three years immediately before the end of the financial year, Mr. Dietz held no other directorships of any listed companies.



Mr. Owen Hegarty

Non-Executive Director, BEC (Hons), FAusIMM

Mr. Hegarty has over 40 years' experience in the global mining industry. He spent 25 years with Rio Tinto where he was Managing Director of Rio Tinto Asia and Managing Director of the Group's Australian copper and gold business. He was the founder and CEO of Oxiana Limited Group which grew from a small exploration company to a multi-billion dollar Asia Pacific focused base and precious metals producer, developer and explorer.

Mr. Hegarty has been the Chairman of specialist resources private equity firm, EMR Capital, Highfield's largest shareholder and cornerstone investor. In 2006, Mr. Hegarty was awarded the AusIMM Institute Medal and in 2008 the G.J. Stokes Memorial Award for his achievements and leadership in the mining industry.

In the three years before the end of the financial year Mr. Hegarty, is, or has been, a director of various listed and unlisted resources companies including Hong Kong listed G-Resources Group Ltd, Fortescue Metals Group Ltd, Tigers Realm Coal Limited and EMR Capital. He is also a director of the AusIMM, and a member of a number of government and industry advisory groups.



Mr. Anthony Hall

(resigned 31 August 2016)

Managing Director and Chief Executive Officer, BBus, LLB (Hons), AGIA

Mr. Hall has 20 years' broad commercial experience in venture capital, strategy, risk management, legal services, company secretarial and compliance. He was the founding Managing Director of Highfield Resources in October 2011 and held that role until his resignation on 31 August 2016. Prior to October 2011 he was Head of Strategy and Business Development of Lend Lease Solar (part of the ASX listed Lend Lease Company (Lend Lease)). In this role he was responsible for setting the strategy of the newly created entity and positioning the entity for growth in the emerging renewable energy market in Australia.



Mr. Pedro Rodriguez

(resigned 1 August 2016)

Director
BSc, MSc

Mr. Rodriguez has over 35 years' experience in mining services in Spain. Over his career Mr. Rodriguez has worked with six international mining companies in Spain (Peñarrolla Spain-SMMPE, Billiton International, Navan-Almagrera, Newmont Spain, Ormonde Mining and Heemskirk Consolidated Limited). His roles ranged from exploration geologist to Managing Director of Navan's Spanish business where he was responsible for the development and operations of mines in Spain.



COMPANY SECRETARY

Mr. Donald Stephens,
BA(Acc), CA

Mr. Stephens has over 25 years' experience in the accounting, mining and services industries, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a Chartered Accountant and corporate adviser specialising in small cap ASX listed entities.

Mr. Stephens is a director of Mithril Resources Limited, Gooroo Ventures Limited, Petrathern Limited and Lawson Gold Limited. Additionally he is Company Secretary of Mithril Resources Limited and Duxton Water Limited and various other unlisted public companies. Mr. Stephens is a former director of Papyrus Australia Limited (resigned 24 August 2015), Reproductive Health Science Limited (resigned 1 September 2015) and Crest Minerals Ltd (resigned February 2016).

Board Committees

Remuneration and Nomination Committee

The principal purpose of the Committee is to assist the Board in fulfilling its governance and oversight responsibilities in relation to remuneration practices so that they:

- Link rewards to the creation of value for shareholders;
- Facilitate operational excellence by attracting and retaining talent;
- Fairly and responsibly reward individuals having regard to individual and Highfield targets and performance as well as industry remuneration conditions; and
- Comply with applicable regulatory obligations.

In addition, the Committee oversees selected nomination activities so that boards within Highfield comprise individuals who are best able to discharge the responsibilities of directors having regard to the law and excellence in governance standards.

The members of the Remuneration and Nomination Committee are Ms. Pauline Carr (Chairman), Mr. Richard Crookes and Mr. Jim Dietz.

Audit, Business Risk and Compliance Committee

The principle purpose of the Committee is to assist the Board in fulfilling its governance and oversight responsibilities relating to:

- The integrity of financial accounting practices and reporting;
- Risk management;
- Internal control framework and internal audit;
- External audit function; and
- Compliance with the Corporations Act, ASX Listing Rules and the ASX Corporate Governance and Principles.

The members of the Audit, Business Risk and Compliance Committee are Ms. Pauline Carr (Chairman), Mr. Derek Carter and Mr. Richard Crookes.



Interests in the Securities of the Company

As at the date of this report, the interests of the Directors in the securities of Highfield Resources Limited are:

Director	Ordinary Shares	Class B Performance Shares	Options – exercisable at \$0.75 each on or before 11 September 2018	Options – exercisable at \$2.00 each on or before 30 June 2019	Options – exercisable at \$1.85 each on or before 18 November 2024
Derek Carter	9,221,504	5,510,752	1,500,000	1,000,000	-
Peter Albert	78,000	-	-	-	3,000,000
Pauline Carr	-	-	-	1,000,000	-
Richard Crookes	-	-	-	-	-
Jim Dietz	50,000	-	-	1,000,000	-
Owen Hegarty	-	-	-	-	-

Results of Operations

The Company's net loss after taxation attributable to the members of Highfield Resources for the year ended 30 June 2017 was \$7,081,884 (2016: \$10,623,123).

Dividends

No dividend was paid or declared by the Company during the year and up to the date of this report.

Corporate Structure

Highfield Resources Limited is a company limited by shares, which is incorporated and domiciled in Australia. Through its 100% owned subsidiary KCL Resources Limited Highfield owns 100% of Geocali SL ("Geocali"), a Spanish incorporated company which hold the Group's five exploration projects.

Nature of Operations and Principal Activities

The principal activity of the Company during the financial year was mineral exploration and progressing the development of its flagship Muga Potash Project.

Review of Operations

Highfield Resources is a potash company listed on the Australian Securities Exchange with five 100% owned potash projects located in Spain's potash producing Ebro Basin.

Muga Potash Project

The Company's flagship Muga Potash Project is targeting the relatively shallow sylvinitic beds in the Muga Project area that covers about 80km². Mining is planned to commence at a depth of approximately 350 metres from surface and is therefore ideal for a relatively low cost conventional mine accessed via a dual decline, as demonstrated in the Company's Muga Project Optimisation Study completed in November 2015.

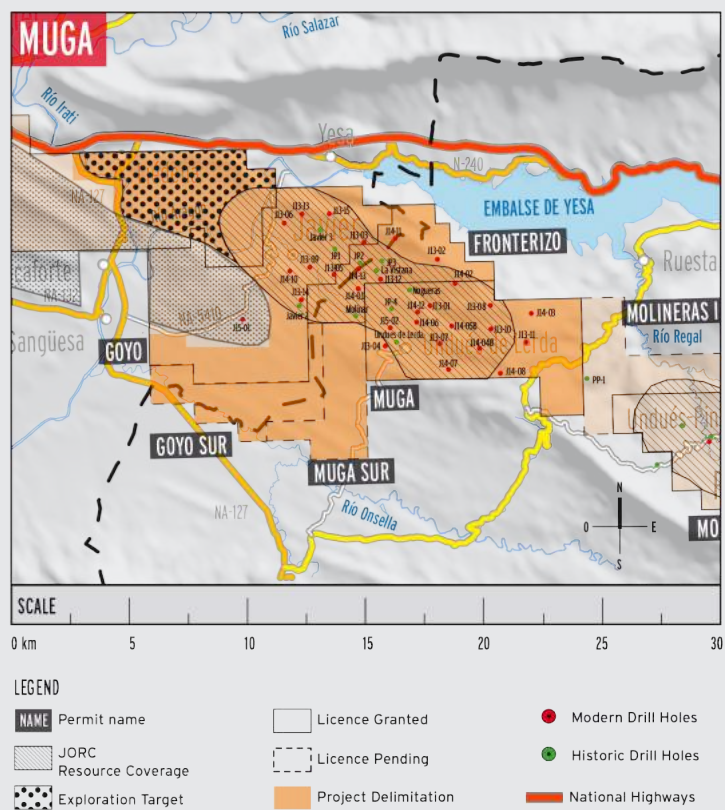


Figure 1: Map of Highfield's Muga Project

Muga Mine Approvals Process

On 1 May 2017 Highfield announced that it had delivered its revised and updated environmental submission to the Ministry of Agriculture, Fishing, Food and Environment ("MAPAMA") as requested in the correspondence from MAPAMA to the Company on 19 December 2016 and 31 January 2017.

- Revised environmental document submitted to MAPAMA on 28 April 2017
- The submission includes answers to all queries raised by the referral authorities and MAPAMA
- Highfield also completed some further technical work to support and clarify some areas of the submission
- The compilation process has been coordinated by Spanish consultancy, TYPASA, which has successfully managed over 200 Environmental Impact Studies
- Multiple meetings held with referral authorities to ensure all matters have been addressed to their satisfaction and captured in the formal responses
- Continued close engagement with local communities who remain extremely supportive of the Muga Potash Project.

The correspondence from MAPAMA included requests for clarification or reconsideration of some components of the project plan by various referral authorities from which MAPAMA had requested input. The new revised and updated document is the culmination of extensive liaison with the referral authorities across three jurisdictions (the Provinces of Navarra and Aragón as well as the central authority in Madrid). Interactions with each of these groups were positive and the Company was reassured by the high level of engagement and interest shown by each. Authorities consulted by Highfield during this process include:

- Navarra Environmental Department
- Navarra Mining Department
- Aragón Environmental Department
- Aragón Mining Department
- Confederación Hidrográfica del Ebro ("CHE" – water management)
- Instituto Geológico y Minero de España ("IGME")
- Instituto Geográfico Nacional ("IGN")
- Instituto Aragonés de Gestión Ambiental ("INAGA")

The responses submitted to MAPAMA included additional work in some areas that was completed by Highfield to further clarify and support the Company's submission.

More information regarding the formal responses to the government can be found in the ASX announcement dated 1 May 2017.

Subsequent to the year end, on 12 July 2017 the Company provided the following update with respect to Muga Project environmental permitting:

- MAPAMA has followed the normal legal process and requested that the Ministry of Industry, Energy, Tourism and Digital Agenda ("MINETAD"), as the responsible body, commence a final consultation with interested parties on the documentation submitted to MAPAMA on 28 April 2017. MAPAMA and MINETAD have both confirmed that in their opinion there are no material issues within the Company's submission.
- In addition, the Company has elected to open the Project to a 30 business day period of public exposition.
- While there is no legislative requirement for the Company to undertake the second exposition, due to the nature of the Project and the time elapsed since the first exposition, Highfield believes it is important to provide stakeholders with the information related to the Project which formed the basis of the DIA submission on 28 April 2017. It also provides a stronger basis for the authorities to support the award of the DIA.
- The local and regional support for the Project is very strong and the Company does not anticipate any new comments or issues to be raised by stakeholders which have not already been answered in detail by the Company.
- Following the closure of the exposition period, the Company will work closely with the authorities to expedite the final outcome.

On 11 September 2017 the Company reported that the public exposition commenced on 4 September 2017.

Muga Mine Development

In its March 2017 Quarterly Activities Report released on 24 April 2017, the Company reported:

- During the quarter, the detailed design and engineering of the wet process plant reached approximately 90% complete, such that no further works in this area will be continued until closer to construction commencement. This work was completed by a Canada-based multinational organisation with extensive potash expertise.
- The dry area of the process plant – drying, glazing and compacting – is being undertaken by a different engineering company but with similar levels of experience. Basic engineering is virtually complete and no further engineering work will be undertaken in this area until closer to commencement of construction.
- During the period the internationally recognised mining consultancy, SRK, undertook a review of the Muga project mine plans and schedules with the ultimate aim of producing a tender document for potential mining contractors. The report is still in preparation and whilst a number of recommendations are expected, SRK was generally supportive of the work that Highfield has done to date.

More details can be found in the Company's ASX announcement released 24 April 2017.

In March 2017, Acciona completed its agreed scope to review the Muga project cost and schedule. The Company has continued to develop and review specific project aspects with the intention of providing a restated cost and schedule in the first quarter of 2018.

Subsequent to the year end, the Company released its June 2017 Quarterly Activities Report on 18 July 2017 which included the following update:

- Detailed engineering work slowed during the June quarter as the Company reached logical points to hold work ahead of the receipt of permits for Muga. Nonetheless, Bovis Project Management S.A, one of the leading local specialist project and construction management companies, has been appointed to assist a project cost and schedule review and progress the construction contract packaging strategy in anticipation of the receipt of permits.
- Work continues with consultants on a number of areas to optimise and fine tune the Project. Specifically, SRK is now providing ongoing mining support as well as preparing a mining tender package document, a process consultant with extensive potash experience has been appointed to advise and to support the Geoalcali team and a tender process for the appointment of a sustainability consultant to undertake a gap analysis is underway.
- During the quarter, Highfield completed a drill hole to provide geotechnical information at the foot of the western decline which was drilled to the footwall salt horizon. The drill hole was located in an area which was expected to be characterised by a thinning of mineralisation due to an anticline structure. In fact, the drill hole intersected over 6 metres of potash mineralisation from 502 metres below surface, with an average grade of 7.32% K₂O. Within the PB seam, which is the primary mining horizon at Muga, drilling encountered 2.7 metres with an average grade of 10.46% K₂O including 1.5 metres with an average grade of 14.82% K₂O. This result was better than expected, from both a grade and thickness perspective. Mineralisation was predominantly brecciated in texture.

More details can be found in the Company's ASX announcement released on 18 July 2017.

MOUs Signed for Offtake from Muga

On 26 July 2016, the Company announced it had signed non-binding MOUs for offtake with Keytrade AG, Ameropa AG and Trammo AG (together "the Traders") covering up to 600,000 metric tonnes of K60 MOP per annum to be produced from its Muga Potash Mine.

Upon signing of formal documentation for these MOUs, Highfield will have achieved a key condition precedent proposed by the mandated lead arrangers for the Project Finance Facility of the Muga Potash Mine. This facility is in the final stages of negotiation.

The Traders all have deep experience in the global fertiliser market across the three recognised macronutrients – potassium, nitrogen and phosphate. Importantly for Highfield, they all have recent and ongoing experience marketing potash in Highfield's European target markets on an ad hoc basis for incumbent producers. Highfield remains focused on those markets that deliver it the maximum possible margin, where it has clear logistical and margin advantages over its peers.

MOU signed for Salt Sales

On 11 August 2016, Highfield announced that it had entered into a non-binding memorandum of understanding with Cargill, Inc. for the sale of salt by Highfield to Cargill in the US.

Highfield is developing its flagship Muga Potash Mine. The primary by-product from this operation will be high purity NaCl (salt or halite), suitable for applications in deicing and for industrial purposes. The Parties will discuss initial tonnages from the Muga Potash Mine, as well as the potential for sales of specialty salts from its other operations.

More details can be found in the Company's announcement released on 11 August 2016.

Project Financing

In August 2015, the Company announced a project finance mandate with four Mandated Lead Arrangers ("MLAs") for long term project facilities to fund the construction of the Muga Project.

During the year, the Company continued its dialogue with its project finance syndicate with respect to the €185 million facility for Muga. It also engaged with other potential providers of capital.

Highfield remains confident of putting in place its debt financing following receipt of all approvals, to support a final investment decision and the commencement of construction.



Vipasca Potash Project

The Vipasca Project area includes the majority of the Vipasca permit, the entire Borneau permit and half of the Osquia permit. The focus is on the deeper higher grade potash mineralisation that occurs in the P1 and P2 potash bed in the Muga sub-basin that runs along strike to the north-west into the Vipasca permit area.

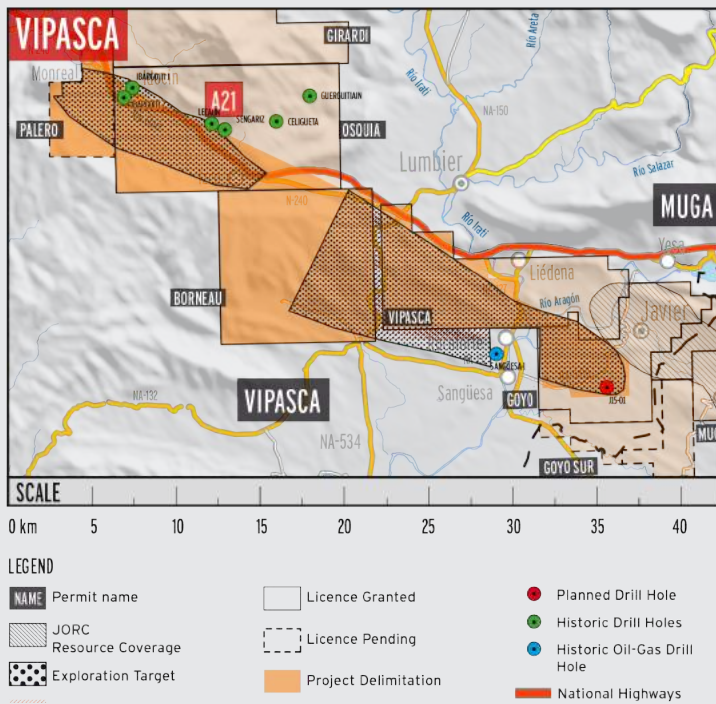


Figure 2: Map of Highfield's Vipasca Project

Pintanos Potash Project

Highfield's 100% owned Pintanos Project abuts the Muga Project and covers an area of 60km². Depths from surface to mineralisation commence at around 500m. The Company is building on substantial historical potash exploration information which includes 7 drill holes and 10 seismic profiles completed in the late 1980s.

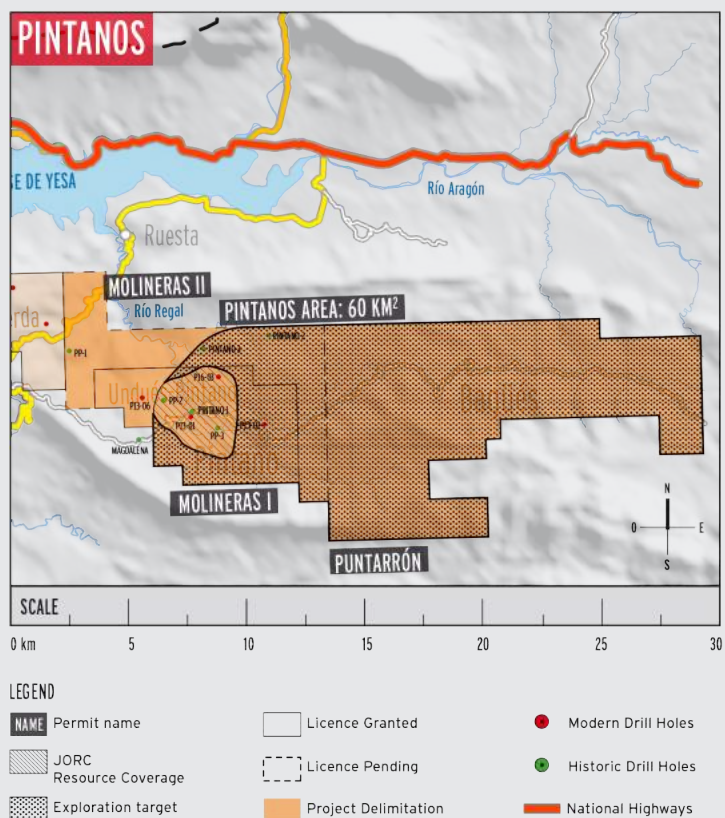


Figure 3: Map of Highfield's Pintanos Project

Pintanos Exploration

On 24 April 2017, the Company released its March 2017 Quarterly Activities Report. This release included an update on Pintanos exploration as follows:

- During the March 2017 quarter, the Company completed two diamond core exploration drill holes at Pintanos.
- Drillhole P16-03, which targeted deeper mineralisation in the north-eastern extent of the ore body, encountered 19.2 metres of potash mineralisation with an average grade of 6.31% K₂O from 702 metres below surface. This included 2.4 metres with an average grade of 12.87% K₂O within the upper interval from 706 metres below surface.
- Drill hole P13-06, which was designed to test the western periphery of the Pintanos ore body did not intersect potash. The western edge of the Pintanos deposit is adjacent to Muga but separated from Muga by a

faulted zone known as the Ruesta Faults. It is believed that the presence of the Ruesta Faults may have historically allowed water to flow through the potash mineralised areas, causing a wash-out or barren zone. This corresponds with the results of similar drilling completed on the eastern edge of the Muga Potash deposit.

For further information refer to the release dated 24 April 2017.

The results of both holes completed at Pintanos during the year were unfavourable compared with the block model which informed the maiden Mineral Resource Estimate released on 20 November 2013 and therefore adversely impacted the tonnage available to be classified as inferred resources. Nonetheless, the Company continues to believe the exploration potential for Pintanos remains strong and will continue exploration of the project. A revised MRE has been prepared, as summarised in table 4 on page 37.

Sierra del Perdón Potash Project

Highfield's 100% owned Sierra del Perdón Project is located less than 10km from Pamplona and is within 40km of the Company's flagship Muga Project. Sierra del Perdón is a brownfield project which has hosted two former operating potash mines. The evaporite was historically mined, primarily for sylvinite but also for carnallite, before the mine closure in late 1996 due to relatively low potash prices of around US\$100/tonne. There is potential for potash exploitation in new, unmined areas in the Sierra del Perdón Project area and for limited additional production from brownfield (adjacent to historically mined) areas.

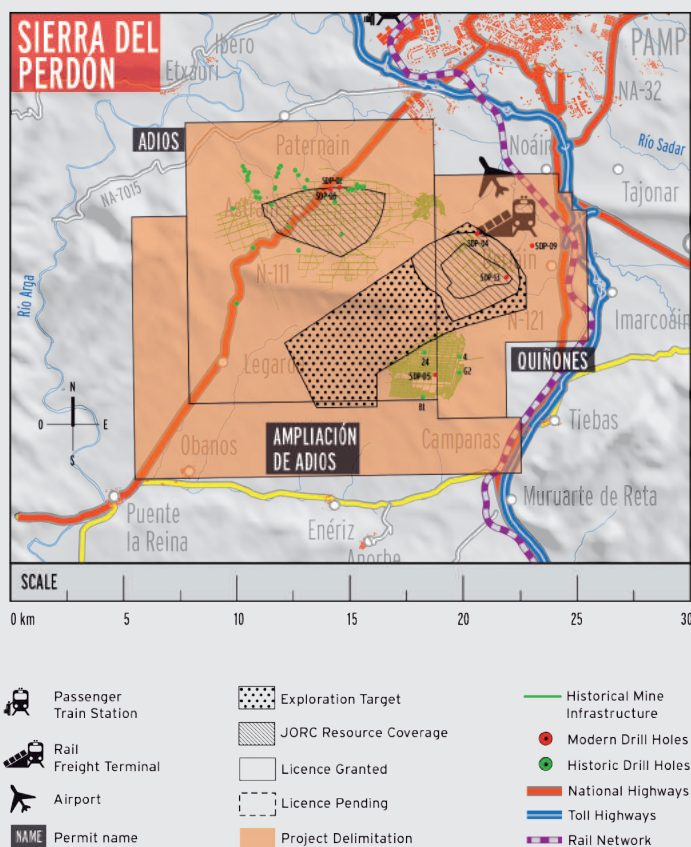


Figure 4: Map of Highfield's Sierra del Perdón Project

Sierra del Perdón Exploration

Subsequent to the year end, the Company released its June 2017 Quarterly Activities Report on 18 July 2017 which included an update on Sierra del Perdón exploration as follows:

- During the period, the Company completed drill hole SDP 008 at Sierra del Perdón. Despite challenging conditions, which slowed the progress of the drilling, it intercepted the various lithologies, including the carnallite and sylvinite seams, at the expected levels. In particular, the results from the sylvinite seam were positive with broad zones of potash mineralisation encountered from approximately 776 metres to approximately 785 metres below surface.

The sylvinite horizon intersected 3.6 metres of potash at an average grade of 15.68% K_2O including 1.8 metres at an average grade of 22.42% K_2O . This drilling is within close proximity to the former operating mine owned by Potasas de Subiza, which operated for nearly 30 years, closing in 1996.

- The Company plans to commence an exploration drill hole at Sierra del Perdón in the coming months.

For further information refer to the release dated 18 July 2017.



Izaga Potash Project

The Izaga Project covers an area of more than 100km², where historic drill holes and 2D seismic show a relatively continuous evaporite with drill hole intersects containing potash. With further positive exploration results, the project could display similar attributes to the Muga Project.

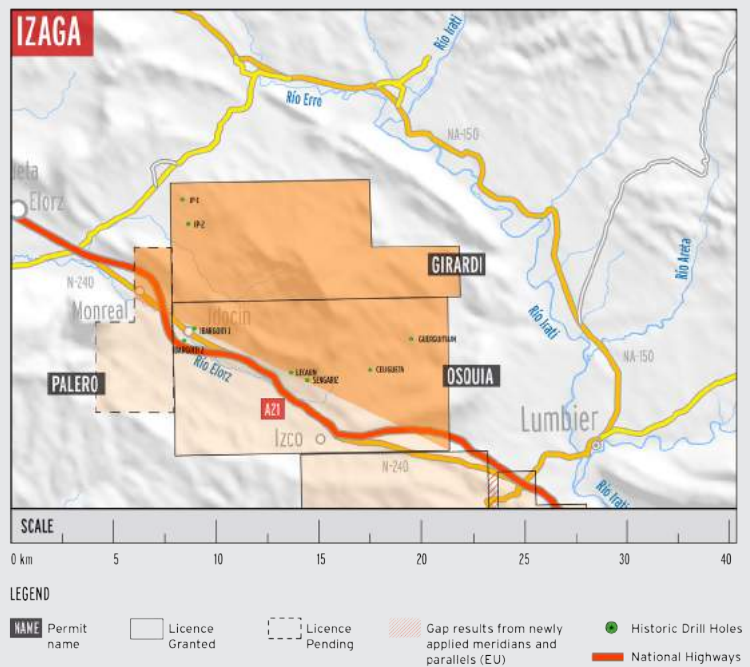


Figure 5: Map of Highfield's Izaga Project

Geoalcali Foundation

The Geoalcali Foundation is a not-for-profit Spanish foundation, supported exclusively by Geoalcali. It was established to deliver projects into the communities in which the Company will operate its mines.

Projects

The Company's community engagement program continues to be well received. A program highlighting clever fertiliser use was launched in regional primary schools in October 2015 and has so far reached over 4,000 school children in the region.

The Geoalcali Foundation currently provides ongoing support to over 20 community projects and since its establishment in September 2014 has been involved in over 105 community projects.

Corporate

Continued ISO compliance

On 8 September 2015 Geoalcali achieved ISO compliant certification for its Integrated Management System including all aspects of environmental management under ISO 14001: 2004, quality management under ISO 9001: 2008, health and safety management under OHSAS 18001: 2007 and management systems for sustainable mining under UNE 22480. The management systems were implemented during late 2013 and 2014 and received renewed certification after being audited by TÜV Rheinland Ibérica on 16 June 2017.

Aside from being an essential part of the operational management of the Company, the certification underpins the Company's efforts to become a point of reference for best practice mining and mineral processing activity in Spain, and will help to support the undertakings made as part of the permitting process.

Directors

Appointment of Peter Albert as Managing Director and CEO

Mr. Peter Albert commenced with Highfield Resources as Managing Director and CEO on 1 September 2016.

Former Managing Director and CEO, Mr. Anthony Hall, resigned from the Board of Directors on 31 August 2016.

Retirement of Pedro Rodriguez from the Board of Directors

Mr. Pedro Rodriguez retired from the Board of Directors of Highfield on 1 August 2016.

Mr. Rodriguez was responsible for the discovery of the Group's Spanish assets in 2011 and, together with Highfield's Chairman, Mr. Derek Carter, effected the acquisition of the assets by Highfield in 2012. Mr. Rodriguez remains a significant shareholder in Highfield.

Annual Review of Ore Reserves and Mineral Resources

In accordance with ASX Listing Rule 5, the Company has performed an annual review of all JORC-compliant ore reserves and mineral resources as at 30 June 2017. Rounding differences may occur.

Muga Project

A maiden Ore Reserve for the Muga Project was calculated as part of the Definitive Feasibility Study as released to the ASX on 30 March 2015.

An updated Ore Reserve for the Muga Project was calculated as part of the project optimisation released to the ASX on 17 November 2015. The Company considers this Ore Reserve to be accurate as at 30 June 2016.

Table 1: Muga Ore Reserves Summary

	30 June 2017		30 June 2016		30 June 2015	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Proved	81.6	11.7%	81.6	11.7%	28.6	12.7%
Probable	172.1	11.4%	172.1	11.4%	11.5	12.7%
Total Proved & Probable	253.7	11.5%	253.7	11.5%	146.0	12.7%

Highfield released an update to the existing JORC-compliant Mineral Resource Estimate ("MRE") to the ASX on 24 February 2015.

A further update to this MRE was released to the ASX as part of the project optimisation study on 17 November 2015. The Company considers this MRE to be accurate as at 30 June 2017. The MRE includes all Ore Reserves shown above in Table 1.

Table 2: Muga Mineral Resources Summary

	30 June 2017		30 June 2016		30 June 2015	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	75.1	13.6%	75.1	13.6%	42.5	11.8%
Indicated	149.4	13.3%	149.4	13.3%	196.8	11.2%
Total Measured & Indicated	224.5	13.4%	224.5	13.4%	239.3	11.3%
Inferred	39.2	13.8%	39.2	13.8%	63.1	12.2%
Total	263.7	13.5%	263.7	13.5%	302.4	11.5%

Sierra del Perdón Project

Highfield released a maiden MRE for the Sierra del Perdón Project to the ASX on 7 April 2015. The Company considers this MRE to be accurate as at 30 June 2017.

Table 3: Sierra del Perdón Mineral Resources Summary

	30 June 2017		30 June 2016		30 June 2015	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	0		0		0	
Indicated	41.8	10.7%	41.8	10.7%	41.8	10.7%
Total Measured & Indicated	41.8	10.7%	41.8	10.7%	41.8	10.7%
Inferred	40.3	10.5%	40.3	10.5%	40.3	10.5%
Total	82.1	10.6%	82.1	10.6%	82.1	10.6%

Pintanos Project

Highfield released a maiden MRE for the Pintanos Project to the ASX on 20 November 2013. During the year ended 30 June 2017, two drill holes were completed at the Pintanos Project (see the Company's ASX Quarterly Activities Report released on 24 April 2017). P16-03 was drilled targeting the deeper mineralisation in the north-eastern extent of the ore body. It intersected broad zones of lower grade material with 19.2 metres at an average grade of 6.31% K₂O. P13-06 was designed to test the western periphery of the deposit, at the Pintanos Project's boundary with Muga. This drill hole was located in an area known as the Ruesta Faults, which is thought to have had historical water flow events that may have led to mineralisation being washed out. No mineralisation was intersected in this drill hole.

The results of both holes were unfavourable compared with the block model which informed the maiden Mineral Resource Estimate released on 20 November 2013 and therefore adversely impacted the tonnage available to be classified as inferred resources. Nonetheless, the Company continues to believe the exploration potential for Pintanos remains strong and will continue exploration of the project.

As a result of the above, a revised MRE has been prepared, as summarised in Table 4 below. See further details on page 98 within the ASX Additional Information section.

Table 4: Pintanos Mineral Resources Summary

	30 June 2017		30 June 2016		30 June 2015	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	0		0		0	
Indicated	0		0		0	
Total Measured & Indicated	0		0		0	
Inferred	70.7	11.9%	187.0	11.2%	187.0	11.2%
Total	70.7	11.9%	187.0	11.2%	187.0	11.2%

Summary

A summary of Highfield's total Ore Reserves and Mineral Resources is shown below.

Table 5: Highfield Total Ore Reserves Summary (all projects)

	30 June 17		30 June 16		30 June 15	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Proved	81.6	11.7%	81.6	11.7%	28.6	12.7%
Probable	172.1	11.4%	172.1	11.4%	146.0	12.7%
Total Proved & Probable	253.7	11.5%	253.7	11.5%	146.0	12.7%

Table 6: Highfield Total Mineral Resources Summary (all projects)

The MRE includes all Ore Reserves shown above in Table 5.

	30 June 2017		30 June 2016		30 June 2015	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	75.1	13.6%	75.1	13.6%	42.5	11.8%
Indicated	191.2	12.7%	191.2	12.7%	238.6	11.1%
Total Measured & Indicated	266.3	13.0%	266.3	13.0%	281.1	11.2%
Inferred	150.2	12.0%	266.5	11.5%	290.4	11.3%
Total	416.5	12.6%	532.8	12.2%	571.5	11.3%



Corporate Governance – Resources and Reserve Calculations

Due to the nature, stage and size of the Company's existing operations, the Company believes there would be no efficiencies or additional governance benefits gained by establishing a separate mineral resources and reserves committee responsible for reviewing and monitoring the Company's processes for calculating mineral resources and reserves and for ensuring that the appropriate internal controls are applied to such calculations. However, the Company ensures that all Mineral Resource calculations are prepared by a competent, senior geologist and are reviewed and verified independently by a qualified person. In addition, the existing composition of the Highfield Board of Directors includes two qualified geologists.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Group during the financial year, other than as set out in this report.

Significant Events After the Reporting Date

There have been no significant events after the reporting date.

Likely Developments and Expected Results of Operations

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

Environmental Regulations and Performance

The operations of the Company are presently subject to Environmental Regulation under the laws of the Commonwealth of Australia and of Spain. The Company has been at all times in full environmental compliance with the conditions of its licences.

Share Options

As at the date of this report there were 44,675,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
3,350,000	\$0.75	30 June 2018
9,500,000	\$0.75	11 September 2018
750,000	\$1.00	30 June 2018
4,000,000	\$1.25	30 June 2018
5,350,000	\$1.85	18 November 2024
17,175,000	\$2.00	30 June 2019
4,550,000	\$2.50	30 June 2019
44,675,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

The following options were issued during the financial year:

- 5,830,000 options with an exercise price of \$1.85, expiring on 18 November 2024
- 2,000,000 options with an exercise price of \$2.00, expiring on 30 June 2019
- 3,850,000 options with an exercise price of \$2.50, expiring on 30 June 2019

The following options were exercised during the financial year:

- 4,000,000 options with an exercise price of \$0.20, expiring on 19 October 2016
- 4,400,000 options with an exercise price of \$0.20, expiring on 1 November 2016
- 1,100,000 options with an exercise price of \$0.30, expiring on 31 January 2017
- 7,000,000 options with an exercise price of \$0.40, expiring on 31 May 2017
- 500,000 options with an exercise price of \$0.60, expiring on 31 January 2017
- 500,000 options with an exercise price of \$0.60, expiring on 30 June 2017
- 900,000 options with an exercise price of \$0.75, expiring on 30 June 2018

The following options lapsed or expired during the financial year:

- 1,300,000 options with an exercise price of \$0.30, expiring on 31 January 2017
- 480,000 options with an exercise price of \$1.85, expiring on 18 November 2024
- 50,000 options with an exercise price of \$2.00, expiring on 30 June 2019
- 50,000 options with an exercise price of \$2.50, expiring on 30 June 2019

Indemnification and Insurance of Directors and Officers

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act 2001. The indemnification specifically excludes wilful acts of negligence.

The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

Directors' Meetings

During the financial year the number of meetings of Directors and Committees held during the year and the number of meetings attended by each Director were as follows:

Director	Directors' Meetings		Remuneration and Nomination Committee		Audit, Business Risk and Compliance Committee	
	A	B	A	B	A	B
Derek Carter	10	9	14	10*	4	4
Peter Albert ¹	8	8	11	10*	4	3*
Pauline Carr	10	9	14	14	4	4
Richard Crookes	10	10	14	14	4	4
Jim Dietz	10	10	14	14	4	3*
Owen Hegarty	10	10	14	3*	4	1*
Anthony Hall ²	2	2	2	1*	-	-
Pedro Rodriguez ³	1	1	1	-	-	-

¹ Peter Albert was appointed 1 September 2016.

² Anthony Hall resigned 31 August 2016.

³ Pedro Rodriguez resigned 1 August 2016.

A number of meetings held during the time the Director held office.

B number of meetings attended. Note that Directors may attend Committee Meetings without being a member of that Committee.

* Attendance at meeting as an invitee.

Proceedings on Behalf of Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Highfield support and adhere to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Highfield is in compliance to the extent possible with those recommendations which are of importance and add value to the commercial operation of an ASX 300 listed resources development company.

The Company has established a set of corporate governance policies and procedures and these can be found, together with the Company's Code of Business Ethics and Conduct, on the Company's website: www.highfieldresources.com.au.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Highfield with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 85 of the annual report. No non-audit services were provided by the Company's auditor.



Audited Remuneration Report

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel (KMP) of Highfield Resources Limited for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group. After careful consideration the Directors determined that, with effect from 1 July 2016, KMP should comprise only Mike Norris, as Chief Financial Officer, in addition to the Directors. This change reflects the decision making capabilities and responsibilities of individuals.

Details of Directors and Other Key Management Personnel

Directors

Derek Carter	Non-Executive Chairman
Peter Albert	Managing Director and Chief Executive Officer (appointed 1 September 2016)
Pauline Carr	Non-Executive Director
Richard Crookes	Non-Executive Director
Jim Dietz	Non-Executive Director
Anthony Hall	Managing Director (resigned 31 August 2016)
Owen Hegarty	Non-Executive Director
Pedro Rodriguez	Executive Director (resigned 1 August 2016)

Key Management

Mike Norris	Chief Financial Officer
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Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives reporting to the Managing Director. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is fair and competitive in attracting, retaining and motivating quality people with appropriate skills and experience. At the time of determining remuneration consideration is given by the Board to the Group's financial circumstances and performance.

As part of its suite of corporate governance policies and procedures, the Board has adopted a formal Remuneration and Nomination Committee Charter and Remuneration Policy.

In early 2017 the Committee and Board reviewed the remuneration framework for executives and established the following parameters.

Level	Short Term Incentive	Long Term Incentive ¹
Managing Director	Up to 80% of fixed remuneration 75% Corporate KPIs and 25% Personal KPIs	Up to 100% of fixed remuneration in the form of options subject to performance hurdles
Senior Executives	Up to 60% of cash remuneration (60% Corporate KPIs and 40% Personal KPIs)	Up to 75% of fixed remuneration in the form of options subject to performance hurdles
Senior Management	Up to 40% of cash remuneration (40% Corporate KPIs and 60% Personal KPIs)	Up to 50% of fixed remuneration in the form of options subject to performance hurdles

¹ The performance vesting conditions of each grant are aligned to the creation of long term value for shareholders. Market based performance (being the relative performance of the Company's share price over a three year period against the S&P/ASX 300 Resources Index (XKR)) accounts for 50% of vesting conditions. Total Shareholder Return over the three year assessment period accounts for the remaining 50% of the vesting conditions. In general, the participant must also remain employed with the Company for a continuous period of three years from the grant date.

Remuneration Philosophy

The Company and its controlled entities aim to position themselves so that the total remuneration paid to their employees will be at the median of the market. The Remuneration and Nomination Committee will undertake a market benchmarking review of executive positions at least once every three years to ensure that the Company's remuneration offerings remain competitive with its contemporary peer group.

Use of Remuneration Consultants

The Board and the Remuneration and Nomination Committee seek and consider advice from independent remuneration consultants to ensure that they have relevant information to the determination of all facets of remuneration relating to the KMP and senior executives reporting to the Managing Director. The engagement of remuneration consultants is governed by the Remuneration and Nomination Committee Charter which sets the protocols and restrictions around the interaction between management and the consultants with a view to minimising the risk of any undue influence occurring and ensuring compliance with the Corporations Act 2001 requirements.

The advice and recommendations of consultants are used periodically as a guide by the Board and Committee as a guide in formulating remuneration and policy. Decisions are made by the Board after its own consideration of the issues, but having regard to the advice of the Committee and consultants.

During the financial year, the Committee engaged Mercer to provide benchmarking data with regard to the remuneration package of the Managing Director and his direct reports. The Board was satisfied that proper protocols were followed and that the remuneration information provided was free from undue influence by management.

Review of KMP Remuneration

To ensure that the KMP remuneration remains consistent with the Company's remuneration policy, KMP and senior executive remuneration is reviewed annually by the Board with the assistance of the Remuneration and Nomination Committee and, as required, external remuneration consultants. When performing the remuneration review, the Board considers:

- the Company's remuneration policy and practices;
- relevant market benchmarks;
- the skills and experience required of each role in order to grade positions accurately and attract high calibre people; and
- strategy, business plans and budgets.

Components of Remuneration of Other KPM and Senior Executives

Total Fixed Remuneration ("TFR")	At-risk remuneration	
	Short Term Incentive ("STI")	Long Term Incentive ("LTI")
Base remuneration that reflects the job size, role, responsibilities and professional competence of each executive, according to their knowledge, experience and accountabilities and considering external market relativities.	Variable, performance based, annual cash incentive plan designed to reward high performance against challenging, clearly defined and measurable objectives that are based on a mix of Corporate and Personal KPI targets that are set to incentivise superior performance. The Board may determine from time to time that the STI be paid in shares in lieu of cash.	The equity component of the at-risk reward opportunity, linked to the creation of shareholder value.

The mix of fixed and at-risk remuneration varies depending on the role and level of executive, and also depends on the performance of the Company and individual. Compared with other employees, senior positions have a greater proportion of at-risk remuneration and have a higher proportion of their at-risk remuneration assessed on Company performance KPIs.

Non-Executive Director ("NED") Remuneration

On appointment to the Board, each NED enters into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director.

NED remuneration is reviewed annually by the Board. NEDs receive a fixed fee remuneration consisting of a base fee rate and additional fees for committee roles.

The aggregate remuneration for NEDs has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Details of NED Remuneration

Fees	Chairman per annum \$	Member per annum \$
Board	90,000	60,000
Remuneration and Nomination Committee	15,000	7,500
Audit, Business Risk and Compliance Committee	15,000	7,500

During the year the Board determined that, with effect from 1 July 2016, each membership of, and each chairmanship of a Board committee will entitle a Director to additional remuneration of \$7,500 and \$15,000 per annum respectively.

All NEDs (including the Chairman) are entitled to be reimbursed for travelling and other expenses properly incurred by them in attending any meeting or otherwise in connection with the business or affairs of the Company.

Key Performance Indicators for Short Term Incentive

KPIs reflect corporate and strategic objectives established by the Company's Remuneration and Nomination Committee and approved by the Board. The personal objectives and KPIs of the Managing Director, also set by the committee, include targets in respect of safety, permitting, finance, project delivery, investor relations and social responsibility. The KPIs of the Managing Director have been cascaded down to his direct reports as appropriate to their areas of responsibility. The Managing Director's STI is based on a weighting of 75% for corporate and strategic KPIs and 25% for personal KPIs. The STIs for direct reports of the Managing Director are based on a weighting of 60% for corporate and strategic KPIs and 40% for personal KPIs.

Short Term Incentive Award

During the 2017 financial year a number of Highfield's key management personnel received a cash bonus in respect of meeting STI KPIs agreed by the Board.



Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director and other key management personnel of the Group for the year ended 30 June 2017 are as below:

2017	Short term			STI Award ⁴	Other Benefits	Options	Post-employment		Total	Performance related %
	Base Salary	Directors' Fees	Consulting Fees			Share-Based Payments	Super-annuation	Prescribed Benefits		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors										
Derek Carter	-	-	97,500	-	-	-	-	-	97,500	-
Peter Albert ¹	518,245	-	-	-	168,200 ⁵	166,667	-	-	853,112	20%
Pauline Carr	-	90,000	-	-	-	-	-	-	90,000	-
Richard Crookes	-	75,000	-	-	-	-	-	-	75,000	-
Jim Dietz	-	67,500	-	-	-	289,394	-	-	356,894	81%
Anthony Hall ²	-	-	87,500	420,000	-	289,394	-	-	796,894	89%
Owen Hegarty	-	60,000	-	-	-	-	-	-	60,000	-
Pedro Rodriguez ³	-	-	20,833	88,834	1,200 ⁶	-	-	-	110,867	80%
Key Management										
Mike Norris	31,127	-	330,482	88,183	23,817 ⁶	22,188	-	-	495,797	22%
	549,372	292,500	536,315	597,017	193,217	767,643	-	-	2,936,064	46%

¹ Peter Albert was appointed 1 September 2016.

² Anthony Hall resigned 31 August 2016.

³ Pedro Rodriguez resigned 1 August 2016.

⁴ The STI award relates to the achievement of 2016 KPIs that were approved by the Board and paid during the year ended 30 June 2017.

⁵ Benefits relate to paid private accommodation and in-country residency allowance.

⁶ Benefit relates to paid private accommodation.

Details of remuneration for the year ended 30 June 2016 are shown below:

2016	Short term					Options	Post-employment		Total \$	Performance related %
	Base Salary \$	Directors' Fees \$	Consulting Fees \$	STI Award ⁵ \$	Other Benefits \$	Share- Based Payments \$	Super- annuation \$	Prescribed Benefits \$		
Directors										
Derek Carter	-	-	90,000	-	-	594,355	-	-	684,355	87%
Pauline Carr ¹	-	40,000	-	-	-	594,355	-	-	634,355	94%
Richard Crookes	-	60,000	-	-	-	594,355 ²	-	-	654,355	91%
Jim Dietz ¹	-	36,167	-	-	-	-	-	-	36,167	-
Anthony Hall	-	-	525,000	345,834	70,059 ³	1,783,065	-	-	2,723,958	78%
Owen Hegarty	-	60,000	-	-	-	594,355 ²	-	-	654,355	91%
Pedro Rodriguez	-	-	373,330	200,108	21,504 ⁴	1,188,710	-	-	1,783,652	78%
Key Management										
Donald Stephens	-	-	127,379	-	-	297,178	-	-	424,557	70%
Mike Norris ¹	-	-	226,666	-	10,752 ⁴	1,188,710	-	-	1,426,128	83%
Mike Schlumpberger	-	-	311,432	-	10,752 ⁴	310,796	-	-	632,980	49%
John Claverley	358,364	-	-	98,485	22,400 ⁴	322,416	-	-	801,665	53%
Hayden Locke	-	-	272,208	117,164	12,544 ⁴	464,424	-	-	866,340	67%
	358,364	196,167	1,926,015	761,591	148,011	7,932,719	-	-	11,322,867	77%

¹ Pauline Carr was appointed 30 October 2015 and both Jim Dietz and Mike Norris were appointed on 23 November 2015.

² To ensure compliance with EMR's internal governance and policies, Mr. Hegarty and Mr. Crookes requested that the issue of options to them for services they provide as Directors to the Company are issued to nominee entities within the EMR group.

³ Mr. Hall received a monthly allowance for living expenses for the period from 1 July to 30 September 2015 and paid private accommodation for the entire year.

⁴ Benefit relates to paid private accommodation.

⁵ The STI award relates to the achievement of 2015 KPIs that were approved by the Board and paid during the year ended 30 June 2016.

Shareholdings of Directors and Other Key Management Personnel

The number of shares in the Company held by Directors and other key management personnel of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting year as compensation.

2017	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Directors					
Derek Carter	8,321,504	-	1,500,000	(600,000)	9,221,504
Peter Albert	78,000	-	-	-	78,000
Pauline Carr	-	-	-	-	-
Richard Crookes	-	-	-	-	-
Jim Dietz	-	-	-	50,000	50,000
Anthony Hall	40,001	-	-	(40,001) ¹	-
Owen Hegarty	-	-	-	-	-
Pedro Rodriguez	7,521,504	-	-	(7,521,504) ¹	-
Key Management					
Mike Norris	-	-	-	-	-

¹ Represents the removal from the table above of the Director's balance at the date of their resignation from the Board, so that balances at the end of the year represent only those remaining as Directors at 30 June 2017.

All equity transactions with Directors and other key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Option holdings of Directors and Other Key Management Personnel

The number of options over ordinary shares in the Company held by each Director and other key management personnel of the Group, including their personally related parties, is set out below:

2017	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Not exercisable
Directors							
Derek Carter	4,000,000	-	(1,500,000)	-	2,500,000	2,500,000	-
Peter Albert	-	3,000,000	-	-	3,000,000	-	3,000,000
Pauline Carr	1,000,000	-	-	-	1,000,000	1,000,000	-
Richard Crookes	-	-	-	-	-	-	-
Jim Dietz	-	1,000,000	-	-	1,000,000	1,000,000	-
Anthony Hall	7,900,000	1,000,000	-	(8,900,000) ¹	-	-	-
Owen Hegarty	-	-	-	-	-	-	-
Pedro Rodriguez	4,500,000	-	-	(4,500,000) ¹	-	-	-
Key Management							
Mike Norris	2,000,000	450,000	-	-	2,450,000	2,000,000	450,000

¹ Represents the removal from the table above of the Director's balance at the date of their resignation from the Board, so that balances at the end of the year represent only those remaining as Directors at 30 June 2017.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Options granted as part of remuneration have been valued using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

Options granted under the Company's employee share option plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 20.

Performance Share Holdings of Directors and Other Key Management Personnel

The number of Class B Performance Shares in the Company held during the financial year by each Director and other key management personnel of the Group, including their personally related parties, is set out below:

2017	Balance at the start of the year	Granted during the year as compensation	Other changes during the year	Balance at the end of the year
Directors				
Derek Carter	5,510,752	-	-	5,510,752
Peter Albert	-	-	-	-
Pauline Carr	-	-	-	-
Richard Crookes	-	-	-	-
Jim Dietz	-	-	-	-
Anthony Hall	-	-	-	-
Owen Hegarty	-	-	-	-
Pedro Rodriguez	5,510,752	-	(5,510,752) ¹	-
Key Management				
Mike Norris	-	-	-	-

¹ Represents the removal from the table above of the Director's balance at the date of their resignation from the Board, so that balances at the end of the year represent only those remaining as Directors at 30 June 2017.

The Class B Performance Shares were issued on the basis that they would be converted to ordinary shares upon the receipt, to the reasonable satisfaction of Highfield, of all referral approvals required to construct and operate a 500,000 tonne per annum potash mine on the Muga Project (including all required government approvals, water and energy contracts necessary to operate the mine) prior to 18 October 2017, being the expiry date of the performance shares. At the date of this report the Directors' assessment is that there is no prospect of the vesting condition being met and that the performance shares will therefore lapse on 18 October 2017.

Other transactions with Directors and Other Key Management Personnel

JAWAF Enterprises Pty Ltd, a company in which Mr. Anthony Hall is a director, charged the Company consulting fees of \$87,500 up to the date of his resignation as a Director (2016: \$525,000). The consulting fees are included in the Details of Remuneration above. Nil (2016: nil) was outstanding at year end. Up to the date of his resignation as a director Mr. Hall was reimbursed \$60,400 (2016: \$347,801) for expenses, at cost, incurred during the year on behalf of the Company. Mr. Hall received no allowance or other benefit during the year (2016: \$70,059).

DNC Minerals Pty Ltd, a company in which Mr. Derek Carter is a director, charged the Company consulting fees of \$97,500 (2016: \$90,000) and reimbursements of expenses, at cost, paid on behalf of the Company of \$5,017 (2016: \$13,284) were paid during the year. The consulting fees are included in the Details of Remuneration above. \$6,875 (2016: \$7,545) was outstanding at year end.

Geotrex Gestion Minera SL, a company in which Mr. Pedro Rodriguez is a director, charged the Company consulting fees of \$20,833 up to the date of his resignation as a Director (2016: \$373,330) and reimbursements of expenses, at cost, paid on behalf of the Company of nil (2016: \$25,745) were paid during the year. The consulting fees are included in the Details of Remuneration above. Nil (2016: nil) was outstanding at year end.

EMR Capital Pty Ltd, a company in which Mr. Richard Crookes and Mr. Owen Hegarty are directors, charged the Company Directors' fees of \$135,000 (2016: \$120,000) and reimbursements of expenses, at cost, paid on behalf of the Company of \$14,593 (2016: \$28,787) were paid during the year. The Directors' fees are included in the Details of Remuneration above. \$3,750 (2016: \$10,000) was outstanding at year end.

Exact Consulting Pty Ltd, a company in which Ms. Pauline Carr is a director, charged the Company Director's fees of \$90,000 (2016: \$40,000) and reimbursements of expenses, at cost, paid on behalf of the Company of \$8,443 (2016: \$47) were paid during the year. The Director's fees are included in the Details of Remuneration above. Nil (2016: \$5,000) was outstanding at year end.

ANFA Minotaur SLU, a company in which Mr. Mike Norris is a director, charged the Company consulting fees of \$330,482 (2016: \$226,666) and reimbursements of expenses, at cost, paid on behalf of the Company of \$3,362 (2016: \$2,575) were paid during the year. The consulting fees are included in the Details of Remuneration above. Nil (2016: nil) was outstanding at year end.

Transactions with key management personnel other than those arising from the exercise of remuneration options were made at arm's length at normal market prices and normal commercial terms. There were no other transactions with key management personnel for the year ended 30 June 2017.

Options Affecting Remuneration

The terms and conditions of options granted during the year affecting remuneration in the current or future reporting years are as follows:

	Grant date	Number granted	Expiry date/last exercise date	Fair value per option at grant date	Exercise price per option	Value of options at grant date ¹	Number of options vested	Vested	Max value yet to vest
Directors									
Derek Carter	-	-	-	-	-	-	-	-	-
Peter Albert	18/11/16	3,000,000	18/11/24	\$0.167	\$1.85	\$500,000	-	-	\$500,000
Pauline Carr	-	-	-	-	-	-	-	-	-
Richard Crookes	-	-	-	-	-	-	-	-	-
Jim Dietz	18/11/16	1,000,000	30/06/19	\$0.289	\$2.00	\$289,394	1,000,000	100%	-
Anthony Hall	18/11/16	1,000,000	30/06/19	\$0.289	\$2.00	\$289,394	1,000,000	100%	-
Owen Hegarty	-	-	-	-	-	-	-	-	-
Pedro Rodriguez	-	-	-	-	-	-	-	-	-
Key Management									
Mike Norris	28/04/17	450,000	18/11/24	\$0.148	\$1.85	\$66,563	-	-	\$66,563
		5,450,000				\$1,145,351	2,000,000		\$566,563

¹ The value at grant date has been calculated in accordance with the models and assumptions as disclosed in note 20.

Service Agreements

Executive Directors

On 1 September 2016 Mr. Peter Albert commenced as the Company's new Managing Director and Chief Executive Officer. Details of Mr. Albert's remuneration arrangements were released to the ASX on 20 June 2016 as follows:

a) Fixed Remuneration

Mr. Albert will be entitled to a salary of \$600,000 (inclusive of government charges, social security and taxes) per annum. This will be subject to annual review, with no guaranteed increases.

b) Short Term Incentive

Mr. Albert will be entitled to a maximum potential short term incentive of \$480,000 (i.e. 80% of his total fixed remuneration) each year in cash, subject to financial and non-financial performance of Highfield Resources Limited and its related bodies corporate (the Group). Mr. Albert's performance targets and priorities will be set by the Board of Highfield Resources Limited in consultation with Mr. Albert. Unless otherwise agreed in writing by the Chairman of the Board, and subject to applicable laws, Mr. Albert is only entitled to receive a Short Term Incentive award and payment if he is employed as at 30 June each year.

c) Long Term Incentive

Subject to any approval Highfield Resources Limited considers necessary or appropriate, Mr. Albert will be eligible to participate in the Highfield Resources Limited executive share-based long term incentive plan in accordance with the rules of the plan and any applicable Highfield policy. Mr. Albert will be entitled to a maximum potential long term incentive of \$600,000 (i.e. 100% of total fixed remuneration paid as Performance Rights to ordinary shares in the Company). Unless otherwise agreed in writing by the Chairman of the Board, Mr. Albert is only entitled to receive a benefit under the plan if he is employed as at 30 June each year.

The Company advised in its March 2017 Quarterly Activities Report released on 24 April 2017 that the Board had determined that Mr. Albert be provided with a €10,000 per month in-country residency allowance. The allowance is in line with that provided to his predecessor and was effective from 1 September 2016, Mr. Albert's commencement date. The allowance is payable while Mr. Albert and his family reside in Pamplona, Spain and will enable the Company's leadership of the Muga Project to be based full time in Pamplona and be part of the local business community.

On 19 April 2017 the Board and Mr. Albert determined that, with effect from 1 May 2017, the denomination of Mr. Albert's base salary, as well as any STI or allowances, be changed from Australian dollars to Euros at an exchange rate of 0.71, being the average for the 30 days prior to the date of announcement. As a result of this change Mr. Albert's base salary changed from \$600,000 to €426,341 per annum.

No other changes have been made to Mr. Albert's base salary or to his short term or long term variable performance based incentives.

The former Managing Director, Mr. Anthony Hall was engaged under a consulting services agreement with effect from 1 July 2015. Under the agreement Mr. Hall was paid \$87,500 for consultancy services up to the date of his resignation as a Director on 31 August 2016.

The former Development Director, Mr. Pedro Rodriguez was employed under a consulting services agreement during the year, which commenced on 1 October 2014 for a period of 24 months. Under the agreement Mr. Rodriguez was paid €20,833 for consultancy services up to the date of his resignation as a Director on 1 August 2016.

Non-Executive Directors

On appointment to the Board, each Non-Executive Director enters into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director. The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting. The period of appointment is in accordance with the Company's Constitution and the Corporations Act 2001 (Cth), including the provisions of the constitution which relate to the rotation of Directors.

Other Key Management Personnel

Prior to 1 June 2017, the Chief Financial Officer, Mr. Mike Norris was engaged under a consulting services agreement, which commenced in November 2015 with no fixed term. Under the agreement Mr. Norris was paid an annual fee of €250,000 for consultancy services. Effective 1 June 2017 Mr. Norris became an employee with a base salary of €250,000. Mr. Norris is also entitled to a paid residence whilst located in Pamplona, Spain. The duration of the employee agreement with Mr. Norris is indefinite. Mr. Norris or the Company shall give written notice of termination of three calendar months in advance. Should the agreement be terminated by the Company for any cause within three years from the date the contract commenced, except breach of contract for disciplinary reasons, Mr. Norris will be entitled to receive a payment equal to three months of his annual salary.

Events after the Reporting Period

There have been no events after the reporting period requiring disclosure in this report.

Loans to Directors and Other Key Management Personnel

There were no loans to Directors or other key management personnel during the financial year ended 30 June 2017 (2016: nil).

Voting and Comments Made at the Company's 2016 Annual General Meeting

Highfield Resources Limited received more than 93.79% of "yes" votes on its remuneration report for the 2016 financial year.

The Company did not receive any specific feedback at the AGM or during the year on its remuneration practices.

Performance Measured by Loss per Share

The table below shows the performance of the Company for the last five years measured by loss per share:

	2017	2016	2015	2014	2013
Loss per share (cents) for the year ended 30 June	(2.22)	(3.42)	(4.38)	(4.12)	(4.22)
Share price (at 30 June)	\$0.96	\$1.38	\$1.48	\$0.58	\$0.36
Share price High for the year ended 30 June	\$1.49	\$2.04	\$2.08	\$0.68	\$0.36
Share price Low for the year ended 30 June	\$0.90	\$1.03	\$0.52	\$0.33	\$0.13

End of Audited Remuneration Report

Signed on behalf of the Board in accordance with a resolution of the Directors.



Peter Albert
Managing Director and Chief Executive Officer
Adelaide, South Australia
28 September 2017

Financial Report





Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Continuing Operations			
Revenue - interest received		198,888	2,382,674
Gain on foreign exchange		218,151	1,119,173
Listing and share registry expenses		(118,668)	(113,509)
Professional and consultants' fees	3	(1,204,704)	(2,224,512)
Employee costs		(1,180,536)	(395,681)
Other expenses		(320,322)	(730,152)
Share-based payments expense	20	(2,104,245)	(9,649,348)
Travel and accommodation		(234,447)	(608,583)
Donations	24	(281,568)	(479,256)
Depreciation		(122,697)	(44,066)
Realised loss on derivative financial instrument	11	(1,931,736)	(1,235,772)
Unrealised gain on derivative financial instrument	11	-	1,355,909
Other expenses		(320,322)	(730,152)
Loss before income tax		(7,081,884)	(10,623,123)
Income tax expense	4	-	-
Net loss for the year		(7,081,884)	(10,623,123)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		718,072	242,078
Other comprehensive income for the year net of tax		718,072	242,078
Total comprehensive loss for the year		(6,363,812)	(10,381,045)
Loss per share			
Basic loss per share (cents)	18	(2.22)	(3.42)
Diluted loss per share (cents)	18	(2.22)	(3.42)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents	5	69,559,873	93,931,744
Other receivables	6	1,272,773	585,872
Total Current Assets		70,832,646	94,517,616
Non-Current Assets			
Investments		5,360	-
Other receivables	7	-	592,087
Property, plant and equipment	8	203,378	326,009
Deferred exploration and evaluation expenditure	9	86,742,052	63,022,168
Total Non-Current Assets		86,950,790	63,940,264
Total Assets		157,783,436	158,457,880
Current Liabilities			
Trade and other payables	10	1,513,050	3,291,726
Derivative financial instruments	11	-	682,235
Total Current Liabilities		1,513,050	3,973,961
Total Liabilities		1,513,050	3,973,961
Net Assets		156,270,386	154,483,919
Equity			
Issued capital	12	172,399,841	166,353,807
Reserves	13	20,415,417	17,593,100
Accumulated losses	14	(36,544,872)	(29,462,988)
Total Equity		156,270,386	154,483,919

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Issued capital \$	Accumulated losses \$	Share-based payments reserve \$	Foreign exchange translation reserve \$	Option premium reserve \$	Performance share reserve \$	Total \$
Balance at 1 July 2015	165,982,935	(18,839,865)	7,741,267	(40,593)	1,000	11,500,000	166,344,744
Total comprehensive loss for the year							
Loss for the year	-	(10,623,123)	-	-	-	-	(10,623,123)
Other comprehensive income - foreign currency translation	-	-	-	242,078	-	-	242,078
Total comprehensive loss for the year	-	(10,623,123)	-	242,078	-	-	(10,381,045)
Transactions with owners in their capacity as owners							
Conversion of options	375,000	-	-	-	-	-	375,000
Reversal of Class B Performance Shares	-	-	-	-	-	(11,500,000)	(11,500,000)
Cost of issue	(4,128)	-	-	-	-	-	(4,128)
Share-based payment	-	-	9,649,348	-	-	-	9,649,348
Balance at 30 June 2016	166,353,807	(29,462,988)	17,390,615	201,485	1,000	-	154,483,919
Balance at 1 July 2016	166,353,807	(29,462,988)	17,390,615	201,485	1,000	-	154,483,919
Total comprehensive loss for the year							
Loss for the year	-	(7,081,884)	-	-	-	-	(7,081,884)
Other comprehensive income - foreign currency translation	-	-	-	718,072	-	-	718,072
Total comprehensive loss for the year	-	(7,081,884)	-	718,072	-	-	(6,363,812)
Transactions with owners in their capacity as owners							
Conversion of options	6,085,000	-	-	-	-	-	6,085,000
Cost of issue	(38,966)	-	-	-	-	-	(38,966)
Share-based payment	-	-	2,104,245	-	-	-	2,104,245
Balance at 30 June 2017	172,399,841	(36,544,872)	19,494,860	919,557	1,000	-	156,270,386

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Cash flows from operating activities			
Payments to suppliers and employees		(4,761,933)	(4,278,515)
Interest received		206,720	2,374,841
Other receipts – VAT received		776,128	846,802
Net cash used in operating activities	5	(3,779,085)	(1,056,872)
Cash flows from investing activities			
Purchase of plant and equipment		(50,512)	(51,074)
Payments for exploration and evaluation expenditure		(24,874,724)	(23,991,020)
Net cash used in investing activities		(24,925,236)	(24,042,094)
Cash flows from financing activities			
Proceeds from conversion of options		6,085,000	375,000
Payments for share issue costs		(38,966)	(4,128)
Net cash provided by financing activities		6,046,034	370,872
Net decrease in cash and cash equivalents		(22,658,287)	(24,728,094)
Cash and cash equivalents at the beginning of the year		93,931,744	118,776,438
Effect of exchange rate fluctuations on cash		(1,713,584)	(116,600)
Cash and cash equivalents at the end of the year	5	69,559,873	93,931,744

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield Resources", "Highfield" or "the Company") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 28 September 2017. Highfield is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

(b) Compliance Statement

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Highfield Resources Limited ('the Company') and its subsidiaries as at 30 June each year ('the Group').

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position respectively.

(d) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's controlled entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Highfield Resources Limited is Australian dollars. The functional currency of the Spanish subsidiary is the Euro.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

(iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income, as part of the gain or loss on sale where applicable.

(e) Segment Reporting

For management purposes, the Group is organised into one main operating segment, which involves development of potash mines in Spain. All of the Group's activities are interrelated, and discrete financial information is reported to

the Managing Director (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

(f) Changes in accounting policies and disclosures

The Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for future reporting periods. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and therefore, no change will be necessary to Company accounting policies.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (b) exploitation and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant

exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

(h) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when:

- the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when:

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that

the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be recognised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is recognised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the government. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST/VAT.

The net amount of GST/VAT recoverable from, or payable to, the government is included as part of receivables or payables in the statement of financial position. Cash flows are presented in the statement of cash flows on a gross basis, except that the GST/VAT component of investing and financing activities, which is receivable from or payable to the government, is disclosed as operating cash flows.

(j) Impairment of non-financial assets other than goodwill

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Derivative financial instruments and hedging

The Company uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to net profit or loss for the year.

(n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(p) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Earnings per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Share-based payment transactions

(i) Equity settled transactions:

The Company provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Company in the form of share-based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions'). There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 20. The expected price volatility is based on the historic volatility of the Company's share price on the ASX.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Highfield Resources Limited ('market conditions').

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting year has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a year represents the movement in cumulative expense recognised at the beginning and end of the year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 18).

(ii) Cash settled transactions:

The Company may also provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the Company.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

(s) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the year in which the estimate is revised if it affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Share-based payment transactions:

The Company measures the cost of equity-settled transactions and cash-settled share-based payments with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options at the grant date is determined using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted and the assumptions detailed in note 20. The fair value of Performance Shares issued by the Company and recorded in the financial statements is based on the directors' assessment of those shares that are likely to convert to ordinary shares. Refer to notes 9, 12(f) and 13.

Fair value measurements

Where appropriate, assets and liabilities are measured at fair value for financial reporting purposes. Information about the inputs used in determining the fair value of various assets and liabilities is disclosed in note 11.

(t) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

(u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)*

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. The Directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial statements.

- *AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).*

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The Directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- *AASB 16 Leases (applicable to annual reporting periods commencing on or after 1 January 2019).*

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. The Directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's financial statements.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.



	2017 \$	2016 \$
3. Expenses		
Professional and consultants' fees		
Consulting and Directors' fees	(973,073)	(1,381,999)
Corporate advisory fees	(15,329)	(200,000)
Legal fees	(124,644)	(599,148)
Other	(91,658)	(43,365)
	(1,204,704)	(2,224,512)

4. Income Tax

a) Income tax expense

Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:

Loss from continuing operations before income tax expense	(7,081,884)	(10,623,123)
Tax at the Australian rate of 27.5% (2016: 30%)	(1,947,518)	(3,186,937)
Share-based payments	578,667	2,894,804
Non-deductible legal expenses	-	124,730
Income tax benefit not brought to account	1,368,851	167,403
Income tax expense	-	-

	2017 \$	2016 \$
(c) Deferred tax		
The following deferred tax balances have not been brought to account:		
Liabilities		
Total exploration and evaluation expenditure	-	-
Offset by deferred tax assets	-	-
Deferred tax liability recognised	-	-
Assets		
Losses available to offset against future taxable income	1,931,409	1,696,336
Share issue costs deductible over five years	-	15,818
Accrued expenses	-	(6,300)
Deferred tax assets offset against deferred tax liabilities	-	-
Net deferred tax asset not recognised	1,931,409	1,705,854

(d) Unused tax losses

Unused tax losses	7,023,306	5,654,455
Potential tax benefit not recognised at 27.5% (2016: 30%)	1,931,409	1,696,366

The benefit for tax losses will only be obtained if:

- i. the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- iii. no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

5. Cash and Cash Equivalents

Reconciliation of cash		
Cash at bank	69,559,873	93,931,744
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(7,081,884)	(10,623,123)
<i>Non-cash and non-operating items in operating loss after tax:</i>		
Share-based payments	2,104,245	9,649,348
Unrealised gain on derivative financial instrument	-	(1,355,909)
Loss/(gain) on foreign exchange	1,031,349	(40,362)
Depreciation	122,697	44,066
<i>Change in assets and liabilities</i>		
Decrease in trade and other receivables	440,888	993,717
(Decrease)/increase in trade and other payables	(396,380)	275,391
Net cash used in operating activities	(3,779,085)	(1,056,872)

	2017 \$	2016 \$
6. Other Receivables – Current		
GST receivable	23,233	81,013
VAT receivable	466,096	497,026
Other	783,444	7,833
	1,272,773	585,872

Debtors, other debtors and GST/VAT receivable are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. Other receivables mainly represent guarantees provided to third parties, which have been reclassified during the year ended 30 June 2017 as current rather than non-current as they may be replaced by alternative arrangements at any time.

7. Other Receivables – Non-Current

Guarantees	-	592,087
	-	592,087

During the year ended 30 June 2017 the guarantees to third parties have been reclassified as current, rather than non-current, as they may be replaced by alternative arrangements at any time.

8. Property, Plant and Equipment

Cost	511,185	423,931
Accumulated depreciation and impairment	(307,807)	(97,922)
Net carrying amount	203,378	326,009
Movements in Plant & Equipment:		
Opening balance	326,009	309,030
Additions	50,512	51,074
Net exchange differences on translation	(50,446)	9,971
Depreciation charge for the year	(122,697)	(44,066)
Closing balance	203,378	326,009

9. Deferred Exploration and Evaluation Expenditure

Exploration and Evaluation - at cost		
Opening balance	63,022,168	48,686,230
Exploration and evaluation expenditure incurred during the year	23,804,905	25,447,785
Reversal of Class B Performance Shares ¹	-	(11,500,000)
Net exchange differences on translation	(85,021)	388,153
Closing balance	86,742,052	63,022,168

¹ During the year ended 30 June 2016 a fair value adjustment was made to reduce the deferred exploration and evaluation balance by \$11,500,000, being the value of 50,000,000 Class B performance shares issued to KCL Shareholders for the acquisition of the Company's Spanish potash projects at \$0.23 per share. The adjustment was based on the Directors' assessment that the performance shares were unlikely to be converted. At 30 June 2017 this assessment is unchanged.

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

	2017 \$	2016 \$
10. Trade and Other Payables		
Trade payables	903,595	1,819,522
Other payables	16,852	18,471
Accruals	592,603	1,453,733
	1,513,050	3,291,726

Trade creditors and other creditors are non-interest bearing and generally payable on 30 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

11. Derivative Financial Instruments

Recognition

This note summarises the impact of the derivative financial instruments on the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Profit or Loss and Other Comprehensive Income. Derivatives are required to be recognised in the Consolidated Statement of Financial Position at their fair market value, with subsequent changes in fair value being recognised through profit or loss.

Purpose

Derivatives are used by the Company to hedge against the risks associated with foreign currency fluctuations. The functional currency of the Company's Spanish subsidiary, Geoalcali SL, is the Euro. As part of the Company's treasury management program a Foreign Exchange Contract ("FEC") was entered into during the year ended 30 June 2016 to reduce its financial exposure to the Euro. The FEC was closed during the year ended 30 June 2017 as set out below.

Pursuant to the terms of the FEC an AUD/EUR exchange rate was set at a minimum rate of 0.66 called the Protection Rate, representing the least favourable exchange rate that would apply under the FEC transaction, and the FEC allowed the Company to gain from a favourable movement in the AUD above a Participation Rate of 0.7075.

By 30 June 2016 Stages 1 and 2 of the FEC had expired resulting in realised losses of \$553,537 and \$682,235 respectively. A cumulative unrealised loss of \$682,235 was recorded as at 30 June 2016 in respect of stage 3. The key terms of each stage are detailed below:

Currency Option	Stage 1	Stage 2
Call Currency and Call Currency Amount	\$22,727,273	\$42,402,827
Put Currency and Put Currency Amount	€15,000,000	€30,000,000
Participation Rate	-	0.7075
Protection Rate	0.6600	0.6600
Exchange Rate on expiration	0.6765	0.6701
Expiration Date	31 March 2016	30 June 2016

Stage 3 of the FEC was scheduled to mature on 30 September 2016. The Company restructured this stage extending €11.5m until 31 December 2016 (Stage 4). The key terms of Stages 3 and 4 are detailed below:

Currency Option	Stage 3 ¹	Stage 4 ²
Call Currency and Call Currency Amount	\$28,030,303	\$17,692,308
Put Currency and Put Currency Amount	€18,500,000	€11,500,000
Participation Rate	0.7075	0.71
Protection Rate	0.6600	0.6500
Expiration Date	30 September 2016	31 December 2016

¹ In September 2016 the Company converted €7.0m and net settled the remaining €11.5m resulting in a realised loss of \$872,346.

² In December 2016 the Stage 4 position was closed out by converting €6.5m and net settling the remaining €5.0m resulting in a realised loss of \$1.06m, for a total loss of \$1.932m in the year ended 30 June 2017.

	2017 \$	2016 \$
Movements in Derivative Financial Instruments – Liability		
Opening balance	682,235	2,038,144
Movement in fair value of the derivative financial liability	(682,235)	(1,355,909)
Closing balance	-	682,235

12. Issued Capital

(a) Issued and paid up capital

Issued and fully paid	172,399,841	166,353,807
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(b) Movements in ordinary shares on issue

	2017		2016	
	Number of shares	\$	Number of shares	\$
Opening Balance	310,825,003	166,353,807	310,325,003	165,982,935
Shares issued upon conversion of unlisted options ¹	18,400,000	6,085,000	500,000	375,000
Transaction costs on share issue	-	(38,966)	-	(4,128)
	329,225,003	172,399,841	310,825,003	166,353,807

¹ 2017

- 4,000,000 shares were issued upon conversion of unlisted options exercisable at \$0.20, expiring on 19 October 2016.
- 4,400,000 shares were issued upon conversion of unlisted options exercisable at \$0.20, expiring on 1 November 2016.
- 1,100,000 shares were issued upon conversion of unlisted options exercisable at \$0.30, expiring on 31 January 2017.
- 7,000,000 shares were issued upon conversion of unlisted options exercisable at \$0.40, expiring on 31 May 2017.
- 500,000 shares were issued upon conversion of unlisted options exercisable at \$0.60, expiring on 31 January 2017.
- 500,000 shares were issued upon conversion of unlisted options exercisable at \$0.60, expiring on 30 June 2017.
- 900,000 shares were issued upon conversion of unlisted options exercisable at \$0.75, expiring on 30 June 2018.

2016

- 500,000 shares were issued upon conversion of unlisted options exercisable at \$0.75, expiring on 30 June 2018.

(c) Ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

(d) Capital risk management

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of \$156,270,386 at 30 June 2017. The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 19 for further information on the Company's financial risk management policies.

(e) Share Options

As at the date of this report there were 44,675,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
3,350,000	\$0.75	30 June 2018
9,500,000	\$0.75	11 September 2018
750,000	\$1.00	30 June 2018
4,000,000	\$1.25	30 June 2018
5,350,000	\$1.85	18 November 2024
17,175,000	\$2.00	30 June 2019
4,550,000	\$2.50	30 June 2019
44,675,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

The following options were issued during the financial year:

- 5,830,000 options with an exercise price of \$1.85, expiring on 18 November 2024
- 2,000,000 options with an exercise price of \$2.00, expiring on 30 June 2019
- 3,850,000 options with an exercise price of \$2.50, expiring on 30 June 2019

The following options were exercised during the financial year:

- 4,000,000 options with an exercise price of \$0.20, expiring on 19 October 2016
- 4,400,000 options with an exercise price of \$0.20, expiring on 1 November 2016
- 1,100,000 options with an exercise price of \$0.30, expiring on 31 January 2017
- 7,000,000 options with an exercise price of \$0.40, expiring on 31 May 2017
- 500,000 options with an exercise price of \$0.60, expiring on 31 January 2017
- 500,000 options with an exercise price of \$0.60, expiring on 30 June 2017
- 900,000 options with an exercise price of \$0.75, expiring on 30 June 2018

The following options lapsed or expired during the financial year:

- 1,300,000 options with an exercise price of \$0.30, expiring on 31 January 2017
- 480,000 options with an exercise price of \$1.85, expiring on 18 November 2024
- 50,000 options with an exercise price of \$2.00, expiring on 30 June 2019
- 50,000 options with an exercise price of \$2.50, expiring on 30 June 2019

(f) Performance Shares

As at 30 June 2017 there were 50,000,000 performance shares on issue. For the full details relating to the Company's Performance Shares on issue refer to note 13.

	2017 \$	2016 \$
13. Reserves		
Share-based payments reserve	19,494,860	17,390,615
Foreign exchange translation reserve	919,557	201,485
Option premium reserve	1,000	1,000
Performance share reserve	-	-
	20,415,417	17,593,100
Movements in Reserves		
<i>Share-based payments reserve</i>		
Opening balance	17,390,615	7,741,267
Share-based payments expense	2,104,245	9,649,348
Closing balance	19,494,860	17,390,615

The share-based payment reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their goods and services. Refer to note 20 for further details of the securities issued during the financial year ended 30 June 2017.

<i>Foreign exchange translation reserve</i>		
Opening balance	201,485	(40,593)
Foreign exchange translation difference	718,072	242,078
Closing balance	919,557	201,485

The foreign exchange differences arising on translation of foreign controlled entities are taken to the foreign exchange translation reserve.

<i>Option premium reserve</i>		
Opening balance	1,000	1,000
Issue of unlisted options	-	-
Closing balance	1,000	1,000

The option premium reserve is used to record the amount received on the issue of unlisted options.

<i>Performance share reserve</i>		
Opening balance	-	11,500,000
Reversal of performance shares – Class B	-	(11,500,000)
Closing balance	-	-

The performance share reserve is used to record the value of performance shares issued to KCL shareholders for the acquisition of the Company's Spanish potash projects at \$0.23 per share based on the Directors' assessment of the likelihood of the performance shares being converted to ordinary shares. All Class A performance shares were converted in 2015. The remaining balance at 30 June 2015 represented 50,000,000 Class B performance shares. The Class B performance shares were issued on the basis that they would be converted to ordinary shares upon the receipt, to the reasonable satisfaction of Highfield of all referral approvals required to construct and operate a 500,000 tonne per annum potash mine on the Project (including all required government approvals, water and energy contracts necessary to operate the mine) prior to 18 October 2017, being the expiry date of the performance shares.

During the year ended 30 June 2016 a fair value adjustment was made to reduce the performance share reserve balance by \$11,500,000, being the value of 50,000,000 Class B performance shares issued to KCL shareholders for the acquisition of the Company's Spanish potash projects at \$0.23 per share. The adjustment was based on the Directors' assessment that the performance shares were unlikely to be converted. At the date of this report the Directors' assessment is that there is no prospect of the vesting condition being met and that the performance shares will therefore lapse on 18 October 2017.

	2017 \$	2016 \$
14. Accumulated Losses		
Movements in accumulated losses were as follows:		
Opening balance	(29,462,988)	(18,839,865)
Loss for the year	(7,081,884)	(10,623,123)
Closing balance	(36,544,872)	(29,462,988)

15. Auditor's Remuneration

The auditor of Highfield Resources Limited is HLB Mann Judd (WA Partnership)

Amounts received or due and receivable by the parent auditor for:		
- an audit or review of the financial report	38,000	34,500

The auditor of Geoalcali SL is Bové Montero Y Asociados, an affiliate firm of HLB International

Amounts received or due and receivable by the subsidiary auditor for:		
- an audit or review of the financial report	24,334	24,795
	62,334	59,295

16. Directors and Other Key Management Personnel Disclosures

(a) Remuneration of Directors and Other Key Management Personnel

Details of the emoluments of the Directors and other key management personnel of the Company for the financial year are as follows:

Short term employee benefits	2,168,421	3,390,148
Share-based payments	767,643	7,932,719
Total	2,936,064	11,322,867

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group. After careful consideration the Directors determined that, with effect from 1 July 2016, key management personnel should comprise only Mike Norris, as Chief Financial Officer, in addition to the Directors. This change reflects the decision making capabilities and responsibilities of individuals.

(b) Other transactions with key management personnel

JAWAF Enterprises Pty Ltd, a company in which Mr. Anthony Hall is a director, charged the Company consulting fees of \$87,500 up to the date of his resignation as a Director (2016: \$525,000). The consulting fees are included in the Details of Remuneration above. Nil (2016: nil) was outstanding at year end. Up to the date of his resignation as a Director Mr. Hall was reimbursed \$60,400 (2016: \$347,801) for expenses, at cost, incurred during the year on behalf of the Company. Mr. Hall received no allowance or other benefit during the year (2016: \$70,059).

DNC Minerals Pty Ltd, a company in which Mr. Derek Carter is a director, charged the Company consulting fees of \$97,500 (2016: \$90,000) and reimbursements of expenses, at cost, paid on behalf of the Company of \$5,017 (2016: \$13,284) were paid during the year. The consulting fees are included in the Details of Remuneration above. \$6,875 (2016: \$7,545) was outstanding at year end.

Geotrex Gestion Minera SL, a company in which Mr. Pedro Rodriguez is a director, charged the Company consulting fees of \$20,833 up to the date of his resignation as a Director (2016: \$373,330) and reimbursements of expenses, at cost, paid on behalf of the Company of nil (2016: \$25,745) were paid during the year. The consulting fees are included in the Details of Remuneration above. Nil (2015: nil) was outstanding at year end.

EMR Capital Pty Ltd a company in which Mr. Richard Crookes and Mr. Owen Hegarty are directors, charged the Company Directors' fees of \$135,000 (2016: \$120,000) and reimbursements of expenses, at cost, paid on behalf of the Company of \$14,593 (2016: \$28,787) were paid during the year. The Directors' fees are included in the Details of Remuneration above. \$3,750 (2016: \$10,000) was outstanding at year end.

Exact Consulting Pty Ltd a company in which Ms. Pauline Carr is a director, charged the Company Director's fees of \$90,000 (2016: \$40,000) and reimbursements of expenses, at cost, paid on behalf of the Company of \$8,443 (2016: \$47) were paid during the year. The Director's fees are included in the Details of Remuneration above. Nil (2016: \$5,000) was outstanding at year end.

ANFA Minotaur SLU, a company in which Mr. Mike Norris is a director, charged the Company consulting fees of \$330,482 (2016: \$226,666) and reimbursements of expenses, at cost, paid on behalf of the Company of \$3,362 (2016: \$2,575) were paid during the year. The consulting fees are included in the Details of Remuneration above. Nil (2016: nil) was outstanding at year end.

Transactions with key management personnel other than those arising from the exercise of remuneration options were made at arm's length at normal market prices and normal commercial terms. There were no other transactions with key management personnel for the year ended 30 June 2017.

17. Related Party Disclosures

(a) Key management personnel

Please refer to note 16 "Directors and Other Key Management Personnel Disclosures"

(b) Subsidiaries

The consolidated financial statements include the financial statements of Highfield Resources Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Holding	
		2017	2016
KCL Resources Limited	Australia	100%	100%
Geocalci SL	Spain	100%	100%

	2017 \$	2016 \$
18. Loss per Share		
Loss used in calculating basic and dilutive EPS	(7,081,884)	(10,623,123)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share	319,455,861	310,594,181
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	319,455,861	310,594,181

There is no impact from 44,675,000 options outstanding at 30 June 2017 (2016: 53,275,000) on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between 30 June 2017 and the date of completion of these financial statements.

19. Financial Risk Management

Exposure to foreign currency risk, credit risk, liquidity risk and interest rate risk arises in the normal course of the Company's business. The Company uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing future capital needs include the Company's cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for capital needs. The Directors expect that present levels of liquidity along with future capital raising will be adequate to meet expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables and derivative financial instruments.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Company manages the risk by investing in short term deposits.

By 30 June 2017 the Company had converted substantially all of its cash and cash equivalents into Euros, being the primary currency in which it expects to make expenditure for the development of the Muga Mine (see notes 11 and 19 (d) for further details). As a result the Company's interest income decreased from \$2.4m in the year ended 30 June 2016 to \$0.2m in the year ended 30 June 2017, reflecting the fact that interest rates on Euro balances are negligible.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

	Effect on Post Tax Loss (\$) Increase/(decrease)		Effect on Equity incl. accumulated losses (\$) Increase/(decrease)	
	2017	2016	2017	2016
Increase 75 basis points	23,431	704,488	23,431	704,488
Decrease 75 basis points	(23,431)	(704,488)	(23,431)	(704,488)

A sensitivity of 75 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

(c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's maximum credit exposure is the carrying amounts on the statement of financial position. The Company holds financial instruments with credit worthy third parties. At 30 June 2017, 99% of the Company's cash and cash equivalents were held in financial institutions with a rating from Standard & Poors of AA or above (long term). The Company had no past due or impaired debtors as at 30 June 2017.

(d) Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts (refer note 11). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	2017	2016	2017	2016
Euro	-	682,235	66,422,693	71,644,320
US dollars	-	-	13,059	-
Total	-	682,235	66,435,752	71,644,320

Foreign currency sensitivity analysis

The Company is exposed to Euro currency fluctuations. The following table details the Group's sensitivity to a 10% increase and decrease in the Euro against the Australian dollar.

	Euro Movement (in AUD)	
	Increase	Decrease
2017		
Profit or loss	7,380,299	(6,038,427)
Other equity	7,380,299	(6,038,427)
2016		
Profit or loss	9,890,553	(5,091,257)
Other equity	9,890,553	(5,091,257)

(e) Fair Value

At 30 June 2016 the Company held a derivative financial instrument that was measured at fair value. The instrument was closed during the year ended 30 June 2017 (refer to note 11).

20. Share-Based Payments

(a) Recognised share-based payment transactions

Share-based payment transactions recognised as operational expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income during the year were as follows:

	2017 \$	2016 \$
Employee and Director share-based payments (note 20(b))	2,104,245	9,276,265
Share-based payments to suppliers (note 20(c))	-	373,083
	2,104,245	9,649,348

(b) Employee share-based payments

The Company has established an employee share option plan (ESOP). An individual may receive the options or nominate a relative or associate to receive the options. The plan is open to executive officers, employees and eligible contractors of Highfield Resources Limited. On 18 November 2016, the Company's shareholders approved the issue of securities under the employee incentive scheme known as 'Highfield Resources Limited Employee Long Term Incentive Plan' (ELTIP). An individual may receive Options, Performance Rights and Deferred Share Awards. The objective of these plans is to assist in the recruitment, reward, retention and motivation of employees and contractors of Highfield Resources Limited.

The fair value at grant date of options granted during the reporting year was determined by applying either the Black-Scholes or Binomial option pricing models that take into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk free interest rate for the term of the option.

The table below summarises options granted during the year ended 30 June 2017:

Grant Date	Expiry date	Exercise price	Number at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Number at end of the year	Exercisable at end of the year
15/08/2016	30/06/2019	\$2.50	-	3,850,000	-	(50,000)	3,800,000	- ¹
18/11/2016	18/11/2024	\$1.85	-	3,000,000	-	-	3,000,000	- ²
18/11/2016	30/06/2019	\$2.00	-	2,000,000	-	-	2,000,000	2,000,000 ³
28/04/2017	18/11/2024	\$1.85	-	2,830,000	-	(480,000)	2,350,000	- ²
				11,680,000		(530,000)	11,150,000	2,000,000

¹ Employees were granted 3,850,000 options exercisable at \$2.50 each on or before 30 June 2019:

(a) 3,050,000 options vested on 30 June 2017.

(b) 750,000 options will vest on the earlier of 30 June 2018 (provided that the optionholder remains in their capacity as an employee of the Company on this date) and the occurrence of a change of control event.

(c) 50,000 options lapsed during the period.

² Employees were granted 5,830,000 options, exercisable at \$1.85 each on or before 18 November 2024. The options will vest on satisfaction of the following Vesting Conditions during the three year vesting period commencing on 1 July 2016 and ending on 30 June 2019:

(a) Market Based Performance:

50% of the options will be assessed for vesting based upon the Company's relative share price performance at the start of the vesting period, being the 20 day Volume Weighted Average Price (VWAP) of the Company's shares immediately preceding 1 July each year, to the closing price of the Company's shares at the conclusion of the vesting period, being the 20 day VWAP immediately preceding 30 June of the following year, versus the performance of the S&P/ASX 300 Resources Index (XKR) for the same period, in accordance with a defined scale as follows:

- Below 10% of index performance = nil vesting;
- Between -10% and (0%) of index performance = vests 2.5% per 1% so "at index" 25% vests;
- Above index performance = vests at 3% per 1% so at 25% above index 100% vests;

(b) Total Shareholder Return (TSR):

50% of the options will be assessed for the vesting based upon the Company's TSR from the opening price of the Company's shares at the start of the Vesting Period to the closing price of the Company's shares at the conclusion of the vesting period. The performance measure is absolute performance based on compound annual growth rate achieved in TSR.

The proportion of the TSR Options that vest into Shares will be determined in accordance with the following vesting scale:

- Zero to 10% = vests at 3% per 1% so at 10% TSR 30% vests;
- Above 10% = vests at 7% per 1% so at 20% TSR 100% vests.

(c) 50,000 options lapsed during the period.

³ Directors were granted 2,000,000 options, exercisable at \$2.00 each on or before 30 June 2019. No vesting conditions apply.

The expense recognised in respect of the above options granted during the year was \$1,775,100. The expense recognised during the year on options granted in prior periods was \$329,146, for a total of \$2,104,245.

The model inputs for options granted during the year ended 30 June 2017 included:

- options were granted for no consideration;
- expected lives of the options range from 2.6 to 8.0 years;
- share price at grant date ranged from \$1.06 to \$1.42;
- expected volatility ranging from 36% to 57%;
- expected dividend yield of Nil; and
- a risk free interest rate ranging from 1.75% to 2.09%.

The table below summarises options granted during the year ended 30 June 2016:

Grant Date	Expiry date	Exercise price	Number at start of the year	Granted during the year	Exercised during the year	Expired during the year	Number at end of the year	Exercisable at end of the year
11/08/2015	30/06/2019	\$2.00	-	2,500,000	-	-	2,500,000	2,500,000
30/10/2015	30/06/2019	\$2.00	-	11,500,000	-	-	11,500,000	11,500,000
17/11/2015	30/06/2019	\$2.00	-	725,000	-	-	725,000	425,000 ¹
22/02/2016	30/06/2019	\$2.50	-	750,000	-	-	750,000	- ²
				15,475,000	-	-	15,475,000	14,425,000

¹ Employees were granted 725,000 options exercisable at \$2.00 each on or before 30 June 2019. The options will vest on the earlier of:

- achievement of 12 months employment with Geocalci SL; and
- the occurrence of a change of control event.

² Employees and consultants were granted 750,000 options exercisable at \$2.50 each on or before 30 June 2019. The options will vest on the earlier of:

- 22 February 2017; and
- the occurrence of a change of control event.

The expense recognised in respect of the above options granted during year was \$8,440,387. The expense recognised during the year on options granted in prior periods was \$835,878, for a total of \$9,276,265.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2016 included:

- options were granted for no consideration;
- expected lives of the options range from 3.4 to 3.9 years;
- share price at grant date ranged from \$1.26 to \$1.83;
- expected volatility ranging from 51% to 60%;
- expected dividend yield of Nil; and
- a risk free interest rate of 2.00%.

(c) Share-based payment to suppliers

During the financial year ended 30 June 2017, no options were granted to suppliers.

During the financial year ended 30 June 2016 the Company issued unlisted options to a consultant for services rendered during the financial period and over the coming 12 months. These options have been valued using the Black Scholes option pricing model.

Grant Date	Expiry date	Exercise price per option	Number at start of the year	Granted during the year	Exercised during the year	Expired during the year	Number at end of the year	Exercisable at end of the year
11/08/2015	30/06/2019	\$2.00	-	500,000	-	-	500,000	500,000
				500,000			500,000	500,000

The expense recognised in respect of the above options granted during the year was \$214,944. The expense recognised during the year on options granted in prior periods was \$158,139, for a total of \$373,083.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2016 included:

- a) options were granted for no consideration;
- b) expected life of options is 3.9 years;
- c) share price at grant date of \$1.26
- d) expected volatility of 60%;
- e) expected dividend yield of Nil; and
- f) a risk free interest rate of 2.00%.

21. Events after the Reporting Period

There have been no events after the reporting period requiring disclosure in this report.

22. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 30 June 2017 (2016: Nil).

23. Dividends

No dividend was paid or declared by the Company in the year ended 30 June 2017 or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2017.

24. Geoalcali Foundation

As part of its Community Engagement Program, the Company established a not-for-profit Spanish foundation called the Geoalcali Foundation ("Foundation"). The Foundation is supported exclusively by Geoalcali and since its inauguration in September 2014 has been involved in over 70 community projects.

25. Commitments

At 30 June 2017, the Group had entered into a number of contracts as part of the development of the Muga Potash Project located in Spain. The expected payments in relation to these contracts which were not required to be recognised as liabilities at 30 June 2017 amounted to approximately \$20.3m. The contracts are able to be terminated by the Company at any point in time. The minimum amount payable following termination is approximately \$1.0m.

26. Geographic Segment Analysis

(a) Revenue – interest received

	2017 \$	2016 \$
Australia	198,888	2,382,674
Spain	-	-
	198,888	2,382,674

(b) Non-current Assets

Australia	-	-
Spain	86,950,790	63,940,264
	86,950,790	63,940,264

27. Parent Entity Information

The following information relates to the parent entity, Highfield Resources Limited, at 30 June 2017 and for the year then ended. The information presented here has been prepared using consistent accounting policies with those presented in note 2.

	2017 \$	2016 \$
Current assets	69,083,472	93,241,014
Total assets	156,302,756	155,669,964
Current liabilities	(75,247)	(1,278,942)
Total liabilities	(75,247)	(1,278,942)
Net assets	156,227,509	154,391,022
Issued capital	172,399,841	166,353,807
Reserves	19,495,860	17,391,615
Accumulated losses	(35,668,192)	(29,354,400)
Total Equity	156,227,509	154,391,022
Loss of the parent entity	(6,313,792)	(9,689,846)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	(6,313,792)	(9,689,846)

Directors' Declaration

In accordance with a resolution of the Directors of Highfield Resources Limited, I state that:

1. In the opinion of the Directors:

a) the financial statements and notes of Highfield Resources Limited for the year ended 30 June 2017 are in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

ii. complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declaration by the Managing Director and the Chief Financial Officer required to be made in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board

Peter Albert
Managing Director and Chief Executive Officer



Adelaide, South Australia
28 September 2017



Auditor's Independence Declaration



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Highfield Resources Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

Perth, Western Australia
28 September 2017

L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Independent Auditor's Report



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Highfield Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Highfield Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="325 607 794 638">Carrying amount of exploration and evaluation expenditure</p> <p data-bbox="325 638 794 672">Note 9 of the financial report</p> <p data-bbox="325 672 794 873">In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition.</p> <p data-bbox="325 873 794 1305">Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p>	<p data-bbox="794 607 1262 705">Our procedures included but were not limited to the following:</p> <ul data-bbox="794 705 1262 1305" style="list-style-type: none"> <li data-bbox="794 705 1262 772">▪ We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; <li data-bbox="794 772 1262 840">▪ We considered the Directors' assessment of potential indicators of impairment; <li data-bbox="794 840 1262 907">▪ We obtained evidence that the Group has current rights to tenure of its areas of interest; <li data-bbox="794 907 1262 974">▪ We examined the exploration budget for the year ending 30 June 2018 and discussed with management the nature of planned ongoing activities; <li data-bbox="794 974 1262 1041">▪ We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; <li data-bbox="794 1041 1262 1108">▪ We substantiated a sample of expenditure incurred to supporting documentation; and <li data-bbox="794 1108 1262 1305">▪ We examined the disclosures made in the financial report.
<p data-bbox="325 1305 794 1337">Share based payments</p> <p data-bbox="325 1337 794 1368">Note 12 of the financial report</p> <p data-bbox="325 1368 794 1489">The Group has entered into various share-based payment arrangements with both key management personnel and external parties, in the form of options and performance rights.</p> <p data-bbox="325 1489 794 1650">We have considered this to be a key audit matter as we consider it a significant risk under auditing standards and it requires significant management judgement involving estimates that have a degree of estimation uncertainty.</p>	<p data-bbox="794 1305 1262 1404">Our procedures included but were not limited to the following:</p> <ul data-bbox="794 1404 1262 1650" style="list-style-type: none"> <li data-bbox="794 1404 1262 1561">▪ We considered the treatment of the share-based payment arrangements entered into by the Group to ensure these are consistent with the requirements of AASB 2 'Share-based payment'; and <li data-bbox="794 1561 1262 1650">▪ We examined the treatment of vesting conditions in relation to the amounts recorded for share-based payments during the period.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.



Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Highfield Resources Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in dark blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in dark blue ink that reads 'L Di Giallonardo'.

L Di Giallonardo
Partner

Perth, Western Australia
28 September 2017

ASX Additional Information





Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 20 September 2017.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	198	97,449
1,001 - 5,000	429	1,344,946
5,001 - 10,000	414	3,417,836
10,001 - 100,000	857	28,848,066
100,001- and over	210	295,922,964
TOTAL	2,059	329,225,003

There were 85 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number of shares	%
J P MORGAN NOMINEES AUSTRALIA LIMITED	137,838,632	41.87
MR. WARREN WILLIAM BROWN + MRS. MARILYN HELENA BROWN	15,921,550	4.84
WWB INVESTMENTS PTY LTD	11,600,000	3.52
DEREK CARTER + CARLSA CARTER <THE SALAMANCA SUPER FUND>	7,728,450	2.35
BRING ON RETIREMENT LTD	7,721,504	2.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,973,452	1.81
CITICORP NOMINEES PTY LIMITED	4,606,790	1.40
BNP PARIBAS NOMS PTY LTD	4,067,491	1.24
MR. DANIEL EDDINGTON + MRS. JULIE EDDINGTON <DJ HOLDINGS A/C>	3,870,000	1.18
CELTIC CAPITAL PTE LTD <INVESTMENT 1 A/C>	3,600,000	1.09
MR. CRAIG PETER BALL + MRS. SUZANNE KATHERINE BALL <CPB SUPER FUND A/C>	3,292,384	1.00
MR. MICHAEL ANDREW WHITING + MRS. TRACEY ANNE WHITING <WHITING FAMILY S/F A/C>	2,715,718	0.82
JONERIC PTY LTD <D STEPHENS FAMILY A/C NO 2>	2,701,076	0.82
JAWAF ENTERPRISES PTY LTD <HALL FAMILY A/C>	2,400,000	0.73
WOOTOONA INVESTMENTS PTY LIMITED	2,150,538	0.65
DORICA NOMINEES PTY LTD <SUPER FUND A/C>	2,150,000	0.65
HGT INVESTMENTS PTY LTD	1,750,000	0.53
GREENSLADE HOLDINGS PTY LTD	1,650,076	0.50
KANBAH PTY LTD <KANBAH SUPER FUND A/C>	1,650,000	0.50
	229,719,542	69.78

Substantial Shareholders

Name	Number of shares	%
J P MORGAN NOMINEES AUSTRALIA LIMITED	137,838,632	41.87
	137,838,632	41.87

CLASS B PERFORMANCE SHARES

Distribution of Class B Performance Share Holders

	Class B Performance Shares	
	Number of Holders	Number of Shares
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 - and over	19	50,000,000
TOTAL	19	50,000,000

Class B Performance Share Holders

The names of the holders of Class B Performance Shares are listed below:

Name	Number of shares	%
DEREK & CARLSA CARTER ATF THE SALAMANCA SUPER FUND	5,510,752	11.02
RAUL HIDALGO FERNANDEZ	5,510,752	11.02
JOSE MANUEL PRADA FERNANDEZ	5,510,752	11.02
PEDRO ANTONIO FERNANDEZ	5,510,752	11.02
RICHARD HILLIS ATF THE BM HILLIS FAMILY TRUST	2,150,538	4.30
DONALD STEPHENS ATF DONALD STEPHENS FAMILY TRUST NO 2	2,150,538	4.30
DORICA NOMINEES P/L <SUPER FUND>	2,150,538	4.30
GREENSLADE HOLDINGS P/L	2,150,538	4.30
WOOTOONA INVESTMENTS P/L	2,150,538	4.30
SAPPHIRE CHIP P/L	2,150,538	4.30
TERRY KALLIS ATF KALLIS FAMILY TRUST	2,150,538	4.30
SIMON HOLFORD	2,150,538	4.30
GRAHAM ASCOUGH ATF ASCOUGH FAMILY TRUST	2,150,537	4.30
JIMBZAL P/L ATF THE TAYLOR FAMILY TRUST	2,150,537	4.30
CRAIG & SUZANNE BALL ATF CPB SUPER	1,433,692	2.87
MICHAEL & TRACEY WHITING ATF WHITING FAMILY SUPER FUND	1,433,692	2.87
CALAMA HOLDINGS P/L ATF MAMBAT SUPER FUND A/C	1,433,692	2.87
LUCILLE O'LOUGHLIN <LUCILLE O'LOUGHLIN INVESTMENT TRUST>	1,075,269	2.15
YOIX PTY LTD <S T O'LOUGHLIN FAMILY TRUST>	1,075,269	2.15
	50,000,000	100%

Unlisted Options

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at \$0.75 on or before 30 June 2018	3,350,000	– Bentley Capital Limited 1,000,000 options
Options over ordinary shares exercisable at \$0.75 on or before 11 September 2018	9,500,000	– John Claverley 2,500,000 options – Ernest Hall 2,000,000 options
Options over ordinary shares exercisable at \$1.00 on or before 30 June 2018	750,000	– Kien Huynh 300,000 options
Options over ordinary shares exercisable at \$1.25 on or before 30 June 2018	4,000,000	– Bentley Capital Limited 1,000,000 options – Michael Schlumpberger 1,500,000 options – Alfredo L. Menéndez Diaz 800,000 options
Options over ordinary shares exercisable at \$2.00 on or before 30 June 2019	17,175,000	N/A
Options over ordinary shares exercisable at \$2.50 on or before 30 June 2019	4,550,000	– Bentley Capital Limited 1,000,000 options
Options over ordinary shares exercisable at \$1.85 on or before 18 November 2024	5,830,000	– Sonedala Albert 2,000,000 Options

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

Use of Proceeds

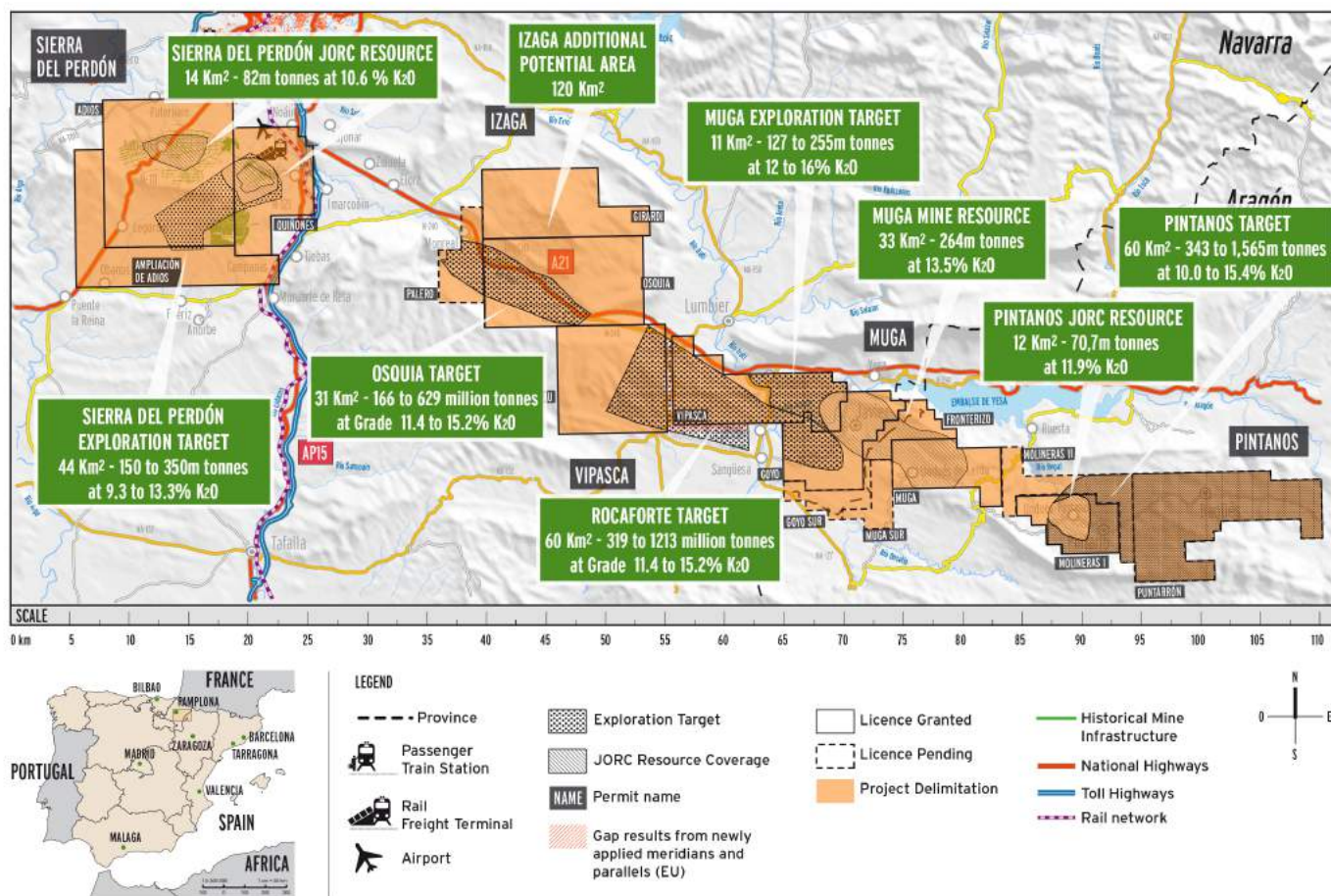
In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 30 June 2017.

Schedule of Tenements

Highfield's Spanish potash projects are located in the Ebro potash producing basin in Northern Spain. Details are shown in the table below.

Project	Region	Permit Name	Permit Type	Applied	Granted	Ref#	Area Km ²	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	07/08/2012	35760	32,48	Geoalcali SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	07/08/2012	35770	75,60	Geoalcali SL	100%
Sierra del Perdón	Navarra	Ampliación de Adiós	Investigation	26/10/2012	14/02/2014	35880	40,90	Geoalcali SL	100%
							148,98		
Izaga	Navarra	Girardi	Investigation	28/04/2015	26/01/2017	35950	38,57	Geoalcali SL	100%
Izaga	Navarra	Osquia	Investigation	28/04/2015	12/01/2017	35970	57,42	Geoalcali SL	100%
Izaga	Navarra	Palero	Investigation	12/05/2017	Pending	36000	11,76	Geoalcali SL	100%
							107,75		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	38,92	Geoalcali SL	100%
Vipasca	Navarra	Borneau	Investigation	28/04/2015	12/01/2017	35960	80,33	Geoalcali SL	100%
							119,25		
Muga	Navarra	Goyo	Investigation	19/07/2011	24/12/2012	35780	27,72	Geoalcali SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	Pending	35920	8,96	Geoalcali SL	100%
Muga	Aragón	Fronterizo	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	9,80	Geoalcali SL	100%
Muga	Aragón	Muga	Investigation	29/05/2013	07/04/2014	3500	20,40	Geoalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	3524	7,28	Geoalcali SL	100%
							74,16		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18,20	Geoalcali SL	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Pending	3495/20	16,80	Geoalcali SL	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Pending	3510	30,24	Geoalcali SL	100%
							65,24		
Total							515,38		

Project locations are shown in the following map*.



*The potential quantity and grade of the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource

Pintanos Mineral Resources Estimate Revision

The following tables contain information required by ASX Listing Rules Appendix 5A in respect of the revised Pintanos Mineral Resources Estimate which is included in the Ore Reserves and Mineral Resources section of the Directors' Report.

Table A-6. JORC Checklist of Assessment and Reporting Criteria

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> – Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. – Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. – Aspects of the determination of mineralisation that are Material to the Public Report. – In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> – In Pintanos seven historic drill holes were drilled in the 1980s and in early 1991. Detailed lithology logs and assays on core were completed. – Four new holes have been drilled and cored since 2014 by Geoalcali Sociedad Limitada (Geoalcali) for a total of eleven holes on the property. – The historical drilling program resulted in compiled reports. The historical programs, in general, were well-documented. – The new drill holes have been geologically logged, photographed, and assayed. Some of the holes were geophysically logged through the mineralised zone. Following logging and photographing, samples are marked and numbered for assay. Core is sawed with hydraulic oil as the lubricating agent; half core is retained and shrink wrapped, and samples to be assayed are bagged and secured with plastic ties and boxed for shipping to ALS Global (ALS) for crushing, grinding and splitting. Cored samples are assayed by inductively coupled plasma- optical emission spectrometry (ICP-OES) and X-ray fluorescence (XRF) by ALS. Sample preparation is in Seville, Spain and assay work is completed in Loughrea, County Galway, Ireland. ALS has a documented methodology and quality assurance/quality control (QA/QC) protocol. – The historical holes contributed to a Maiden Joint Ore Reserves Committee (JORC) Inferred Resource in November 2013 (Agapito Associates Inc.) and to this updated Mineral Resource Estimate (MRE). Of the available historical holes from Javier Pintanos, a comparative study to re-assay to test the quality and accuracy of the historical assays showed moderate agreement. Re-sampling of three mineralised drill holes was completed by independent advisor North Rim Exploration Ltd (North Rim). The re-sampled assay results for J-3, Noguerras (NGR), La Vistana (VST) individually showed large degrees of variation from the historical results, but with an average difference of 3.68% K₂O overall. The results are documented in an internal report to Highfield (Stirrett and Mayes 2013) and discussed in more detail in previous HFR ASX releases.
Drilling techniques	<ul style="list-style-type: none"> – Drill type (e.g., core, reverse circulation, open- hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g., core diameter, triple or standard tube, depth of diamond tails, face- sampling bit or other type, whether core is oriented and if so, by what method, etc.). 	<ul style="list-style-type: none"> – Drilling procedures are unknown from historical Javier holes drilled prior to 1987 including drill holes J-2, J-3, VST, NGR, Molinar (MLN), and Undues de Lerda (UDR). – The drilling program completed in 1989–1990 was outlined in detail by Empresa Nacional Adaro Investigaciones Mineras (E.N. Adaro 1989–1991). E.N. Adaro, the state-owned group tasked with exploration and development of Spain's mineral resources, produced detailed reports and "reserve" studies of the Javier-Pintanos area. – Historical drilling was completed with the Mayhew 1500 drill rig from June to August 1989. During this time, JP-1 through JP-4 were completed. Holes were drilled open hole to core point. The tricone bit used for open hole drilling was reduced through stages from 12 1/4-inch to 5 7/8-inch diameter. Upon completion, the hole was abandoned and cemented through the 8 1/2-inch diameter drill hole. Approximately 4,255m were drilled in Pintanos, Three assay sets were available for PP-2B, PP-3 and Pintanos-1. No deviation data were available for these historic drillholes and were considered to be vertical. – In 2014, a drilling program was initiated in Pintanos. Holes were cored from surface. When the top of salt is reached, the mud is re-formulated to a super saturated brine to eliminate or diminish dissolution of the highly soluble evaporite minerals. Drilling has been contracted to Geonor Servicios Técnicos S.L. of Galicia, Spain using a Christensen CS3000 and Forida Golden Bear and Sondos y Perforaciones Industriales del Bierzo (SPI) SPRDrill 260. Drilling was supervised by Highfield geologists.

Criteria	JORC Code explanation	Commentary
Drill sample recovery	<ul style="list-style-type: none"> – Method of recording and assessing core and chip sample recoveries and results assessed. – Measures taken to maximise sample recovery and ensure representative nature of the samples. – Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine coarse material. 	<ul style="list-style-type: none"> – Detailed information on core recovery for the historical program is not available, but the assay data is largely complete over the mineralised zones. – Core recovery on the 2014–2017 drilling campaign averaged greater than 95% in Pintanos in the mineralised zones although some samples show dissolution due to undersaturated brine mud. Typically these samples are thought to under-report the target potassium mineralogy because of the highly soluble nature of those minerals, but it is also possible that less desirable or deleterious mineralogy (i.e. MgO) may also under-report in this situation. – PQ core is the recommended diameter for core but in some cases the hole is completed with HQ and in one case with NQ (P13-02) for a side track hole through the mineralised zone. Core sampling procedure is well-documented in the 2014–2017 drilling program.
Logging	<ul style="list-style-type: none"> – Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. – Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. – The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> – Lithology logs were completed for the historical drilling programs. The 1989–1990 drilling program included Javier and Los Pintanos holes: JP-1 to JP-4, PP-2/2B, and PP-3. The sample intervals were comparable to industry standards (generally <30 centimetres) but the methodology is unknown. Thirty centimetres is typically used for a maximum sample length for potash in order to assure samples are not diluted and confidence in mineralogy is maintained over the interval. – Assay intervals for the unknown (pre-1987) drilling program used a much larger sampling interval (up to 2.44m) for NGR, VST, and J-3. – In the modern program, cuttings were collected from the open holes and the core was logged, photographed, sampled, and assayed in approximately 0.3m lengths.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> – If core, whether cut or sawn and whether quarter, half or all core taken. – If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. – For all sample types, the nature, quality and appropriateness of the sample preparation technique. – Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. – Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second half sampling. – Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> – For the historical holes, grooved samples were taken for assay through the potash mineralisation. These samples were produced by sawing a shallow channel into the core surfaces. This is not usually considered good practice, but is sometimes used to keep the core intact. Independent technical advisor North Rim (Stirrett and Mayes 2013) conducted a re-assay of available holes to test the validity of the historic data, as discussed below in “Quality of assay data and laboratory tests.” – On the 2014–2017 drilling campaign core holes, samples were halved and quartered, with a quarter sent for assay. This sampling methodology is the modern industry standard. The sample intervals of approximately 0.3m in length were taken over the length of the mineralised interval. Cores were usually PQ (85 millimeter), but in the case of difficult drilling conditions, coring was reduced to HQ (63.5mm). – This smaller core diameter is not ideal for assay as some duplicates have shown variability. To try to mitigate this, duplicates are selected from HQ as true duplicates rather than on a quarter core sample. Quarter sample duplicates are selected for PQ core. In all cases hole size was reduced to continue drilling in difficult drilling conditions (lost circulation or kick-off) and is not part of normal procedure.

Criteria	JORC Code explanation	Commentary
<p>Quality of assay data and laboratory tests</p>	<ul style="list-style-type: none"> – The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. – For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. – Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. 	<ul style="list-style-type: none"> – Geochemical results are available for the 1989–1990 drilling campaign, complete with 208 assays. The results were obtained through the internal Potasas de Subiza S.A. (POSUSA) lab and were analysed for KCl, MgCl₂, NaCl, insolubles, and clay. The intervals listed for these samples reflect the thickness of the sample as measured in the drill core; however, true thicknesses for the sample intervals is outlined in the historical strip logs to account for structural dip of the intervals. Samples were typically limited to 30cm or less to maintain good sample resolution. – No original assays are available for the pre-1987 drilling program. Results for P-1, PP-2, PP-2B, and PP-3 are summarised from the E.N. Adaro comprehensive reports (E.N. Adaro 1989–1991). P-1 was only analysed for KCl, and therefore lack results pertaining to MgCl₂ (to determine carnallite content) or insolubles. – The “grooving” technique on the historical assay sampling was used to minimise destruction of core and may not be representative. The method of geochemical analyses used for both the 1989–1990 drilling campaign and the pre-1987 drilling program is unknown as is the identity of the lab that conducted the geochemical analyses. – A resampling program for Javier-Pintanos was carried out by North Rim (Stirrett and Mayes 2013). Re-sampling on VST, NGR, and J-3 was carried out at the Litoteca de Sondeos in Spain, the state-run core lab. North Rim attempted to duplicate the historical sample intervals; their methodology is described below: <ul style="list-style-type: none"> – For the re-sampling of historical core samples, the start and end of each sample was identified using blue corrugated plastic to ensure the proper intervals were selected for slabbing. For each sample, a line was drawn across the top after the core was fit together. Once the sample intervals were determined, one-quarter of the core was cut for sampling. A hand-held circular saw with a diamond-tipped blade was used to cut the core. Once the entire interval was cut, the cut surface was wiped down with a damp cloth to remove any rock powder generated by cutting. The quarter core was divided into individual samples by drawing straight lines across the core diameter in permanent black marker as identified by the blue plastic markers. The determination of individual samples was based entirely on the historical sample intervals. No additional sampling was completed. As the samples were chosen, they were labelled using a numbering scheme that incorporated both the drill hole number and a sample number (i.e., J3-583RS). An “RS” was incorporated at the end of the sample to indicate “re sample.” Each sample and its corresponding sample tag were placed into a waterproof, plastic sample bag and stapled to enclose the sample within the bag. Samples were placed into sturdy cardboard boxes and packed with styrofoam. Shipping sheets were completed that included well information, box numbers, sample numbers, and contact information and accompanied the samples to the Saskatchewan Research Council (SRC) Laboratories in Saskatoon, Saskatchewan, Canada. In the re-assayed sampling program, the correlation plot between the historical samples and their re-analysed equivalents has an average difference of 3.68% K₂O overall. The results indicate a general over-estimation of grade within the historical samples, with 87% of the historical samples having higher K₂O grade than the re-sampled analyses indicate. This is not a systematic difference, but instead indicates that the variation is more likely due to sampling technique rather than a problematic analytical technique or procedure. – In the 2014–2017 sampling program, assay was by ICP-OES and XRF. – Highfield and ALS, the primary contract laboratory, maintained quality control procedures of standards, duplicates and blanks. SRM, blanks and duplicates were inserted, both by Highfield personnel during sample preparation and by ALS as part of their own QA/QC program. – ALS inserted commercial standards BCR-113 and BCR-114 both potash fertilizer materials, a MOP (Muriate of Potash) and SOP (Sulfate of Potash), respectively, as well as their own internal standard as a blank material SY-4, a diorite gneiss. – Duplicates were submitted to ALS and show good internal agreement. – Highfield made multiple Standard or Certified Reference Material-type (SRM or CRM) samples representing low-, medium-, and high-grade (LG, MG, HG) potash material, and they show good accuracy and precision within a +2 standard deviation envelope based on 30, 31 and 27 for HG, LG and MG, respectively. Insertion rate is one blank, one SRM, and one lab duplicate per 20 samples or batch. – Check samples were tested at SRC and show good agreement for K₂O values.

Criteria	JORC Code explanation	Commentary
Verification of sampling and assaying	<ul style="list-style-type: none"> – The verification of significant intersections by either independent or alternative company personnel. – The use of twinned holes. – Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. – Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> – The re-sampling program of historical cores was carried out under the supervision of North Rim and documented in a report to Highfield. The goal of the geochemical re-sampling program was to acquire sufficient confidence in the historical assay data to develop a JORC Code-compliant Mineral Resource estimate. Only three drill holes with cored intervals containing potash mineralisation were available for re-sampling within the project area: VST, NGR, and J-3. – CPs reviewed the available historical geophysical logs (run by Schlumberger) to compare estimated K₂O from natural gamma and/or spectral gamma logs versus the assayed value, which showed very good agreement. – ALS assayed samples both by ICP and XRF. In general, ICP analysis shows adequate agreement with assays by XRF, which report, consistently, slightly higher values of K₂O. Other holes showed similar bias, thereby substantiating testing precision. The ICP method is the base method used for resource estimation. – Highfield receives all assay data in .XLS or .CSV format from the laboratories and one person is responsible for transferring those data into a master database and maintaining the QA/QC monitoring. CPs independently graphed the QA QC data and reports outliers to Geocali for re-assay. – A database was built from the historical drill hole information by Highfield and checked by Agapito against the historical reporting of assays and intervals listed on the lithologic logs. – The master database was checked against the ALS-issued Certificates of Analysis (COA).
Location of data points	<ul style="list-style-type: none"> – Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. – Specification of the grid system used. – Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> – Historical collar locations were re-located in most cases and re-surveyed. Some historical collars could not be located as many were drilled on agricultural land. Historical drill hole location maps consistently show locations and so suggest confidence in the hole coordinates. Historical data and maps are referenced to the European Datum 50 (ED50) and have been updated to the European Terrestrial Reference System 1989 (ETRS89) datum for compatibility with modern survey information. – All new locations from the 2014–2017 drilling program are surveyed before and after drilling by a licensed surveyor.
Data spacing and distribution	<ul style="list-style-type: none"> – Data spacing for reporting of Exploration Results. – Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. – Whether sample compositing has been applied. 	<ul style="list-style-type: none"> – Exploration drill hole spacing represents an average of 0.4 Km towards East-West to 1 Km towards North-South. – Samples have been composited over the thickness of identified potash beds for the reporting of exploration results.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> – Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. – If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> – Historical holes were assumed to be vertical in the absence of deviation surveys. Deviation data show relatively vertical trajectories in surveyed holes. Data on bed orientation were incorporated into the database to calculate apparent true thickness. – The regional structure is discussed in more detail in “Geology” and in “Property Structure.” The deposit is bedded, and historical seismic maps showed evaporite unit propagating to the east at increasing depths. – The northern Loiti Fault System and the south Magdalena System delimitate the ore deposit, which shows a bearing perpendicular to these structures.
Sample security	<ul style="list-style-type: none"> – The measures taken to ensure sample security. 	<ul style="list-style-type: none"> – In the 2014–2017 drilling program, Highfield personnel maintained effective chain of custody procedures for the samples. Core was picked up at the drill site and brought to the secured warehouse for detailed logging and sampling. Following sampling (see sections on sampling herein), sample bags and boxes were secured with zip ties for shipping to the laboratory.
Audits or reviews	<ul style="list-style-type: none"> – The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> – Besides the re-sampling program carried out by North Rim, CPs compared historical assay data to estimate K₂O from geophysical records. In addition, ALS assayed samples both by ICP and XRF and these values were compared as discussed in “Verification of sampling and assaying data.”

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> – Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. – The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area. 	<ul style="list-style-type: none"> – Property descriptions and land status were obtained from the list of lands as set forth in the documents provided by Highfield. – Los Pintanos property comprises three PI and one PE permits: Molineras 10, Molineras 20, and Puntarrón (PI), and Puntarrón (PE). Puntarrón (PI) is pending. The Molineras 20 is under application and pending approval. – The CPs have reviewed the mineral tenure from documents provided by Highfield including permitting requirements, but have not independently verified the permitting status, legal status, ownership of the project area, underlying property agreements or permits. – Exploration and exploitation of mineral deposits and other geological resources in Spain are governed by the Mining Law 22/1973, which is further governed by the Royal Decree 2857/1978. All sub-surface geological structures, rocks, and minerals are considered the property of the public domain and are categorised into four sections under the Spanish law (A, B, C, and D), and must have mining authority authorisation and supervision for commercial exploitation. Section C covers the minerals of interest for Highfield, and a mining concession would need to be awarded prior to exploitation which requires the accompaniment of environmental permits and municipal licenses (electrical, water etc.). Generally exploration and investigation permits are applied for prior to applying for a mining concession (not legal obligation), and are aimed at determining the mineral resource potential of the area through exploration practices (drilling, seismic, sampling etc.). These are granted through the region's government/mining authority where the exploration or investigative work will take place. – Exploration permits (PE) are valid for one year and can be renewed for one additional year. A PE allows only non-intrusive investigation, which is defined by the various Spanish regions and can vary. – A PI is good for up to three years and renewable in three-year terms or longer depending on the scope of the intended work. Investigation permits carry with them municipal approval as they are publically released for community discussion. To carry out work under the investigation permit, the permittee must contract with the individual the landowners to allow for access and occupation of the land during the exploration. – In order for both types of permits to remain valid, the applicable taxes must be paid and the permittee must comply with the applicable regulations and exploration plan approved by the mining authority. Investigation permits require assessment reporting which requires the permittee to submit working plans, budgets, and initiate work within certain time allotments. Exploration and investigation permits can be transferred in whole or in part to other third parties with enough technical and financial backing, but must be authorised by the proper mining authorities in Spain.
Exploration done by other parties	<ul style="list-style-type: none"> – Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> – The historical drilling program completed in 1989–1990 was outlined in detail by E.N. Adaro (1989–1991). E.N. Adaro, the state-owned group tasked with exploration and development of Spain's mineral resources, produced detailed reports and "reserve" studies of the Javier-Pintanos area. – Potash was first discovered in the Ebro Basin in the Catalonia area in 1912 at Suria after the potash discoveries in Germany (Moore 2012). Salt was first discovered through drilling, later followed by four economic potash mining zones with a combined total thickness of 2.0 to 8.0 m (Stirrett and Mayes 2013). The potash horizons in the area were identified to cover approximately 160 square kilometers (km²) at depths of approximately 500m sub-surface, unless they were brought closer to surface by anticlinal or tectonic structures (Stirrett and Mayes 2013). Several deposits were located in the Catalonia area, including, Cardona, Suria, Fodina, Balsareny, Sallent, and Manresa. Several of these areas were developed into mines and are all flanked by anticlinal structures. The potash deposits in the Navarra region were not located until later, in 1927, through comparative studies to the deposits found at Catalonia (Stirrett and Mayes 2013). – Production at Pamplona began in 1963 with a capacity of 250,000 tonnes per year (tpy) of K₂O. A thick carnallite member overlies the sylvinite, so in 1970 a refinery with the capacity for 300,000tpy was built to accommodate for carnallite from the Esparza (Stirrett and Mayes 2013). Carnallite mining was ceased in 1977. Inclined ramps for the mine were located near Esparza, reaching the centre of the mine, with further shafts located at Beriain, Guendulain and Undiano. In 1982, 2.2 million tonnes of sylvinite were extracted with an average K₂O grade of 11.7% (Stirrett and Mayes 2013). The operations in Navarra were closed in the late 1990s.

Criteria	JORC Code explanation	Commentary
<p>Geology</p>	<p>– Deposit type, geological setting and style of mineralisation.</p>	<p>– The Upper Eocene potash deposits occur in the sub-basins of Navarra and Aragón provinces within the larger Ebro Basin. The Navarrese sub-basin includes the Muga VÍpasca (Javier) and adjoining Los Pintanos deposits. The first deposits in the region, occurring at the end of the Cretaceous period, were characterised by a regressive period with reddish continental deposits. The Eocene is marked by the beginning of tectonic compression, causing formation of subsiding basins parallel to the Pyrenees Mountains with emersion and erosion in some parts. The different basins are separated by orogenic events developing in the north and south as turbidite basin carbonate platforms. Towards the end of the Eocene epoch, the sedimentation axis migrated south to the Jaca-Pamplona Basin, on which the Oligocene materials were deposited. The pre-evaporitic basin sedimentation occurs in a context of continuous tectonic compression during the Eocene and Oligocene epochs, as synsedimentary tectonics of the end of the orogeny, with pronounced sediment influx. The influence of the turbidites towards the end of the Eocene epoch in the Bartoniense series, are sourced from the east initially into the Pintano Basin and contained by the Flexura de Ruesta and then from the northwest into the Basin as the Belsue Formation.</p> <p>– This potash deposit contains a 100-m-thick Upper Eocene succession of alternating claystone and evaporites (anhydrite, halite, sylvite and carnallite).</p> <p>The evaporites accumulated in the elongated basin at the southern foreland of the Pyrenean range (Busson and Schreiber 1997). The evaporites overlie marine deposits and conclude in a transitional marine to non-marine environment with terrigenous influence. Open marine conditions existed in the Eocene-Oligocene epochs progressing to a more restricted environment dominated by evaporation and the deposition of marl, gypsum, halite, and potassium minerals. Later, tectonism and resulting salt deformations formed broad anticlines, synclines and overturned beds. The Basin depocenter originated in the west forming against the down-dropping Javier- Undues Syncline. In this area, the salts are thick and additional lower, less continuous beds developed in addition to a substantial thickness of P0, the uppermost potash mineralised bed. To the east, a broad basement high formed resulted in poorly developed or missing lower salt beds; the potash package is more compact and some beds are missing, particularly near the Basin edges.</p> <p>Basin edge influences include sediment influx, dark clays and light-coloured sand as well as soft sediment deformation and salt-veining which resulted from continued uplift and steepening beds. Basement-related faulting as well as structural influences at the Basin edge have resulted in repeated (or overturned) and thickened mineralised beds.</p> <p>– Two fault systems dominate and bound the Pintanos sub-basin, to the north by the extension of the thrusting Loiti Fault and to the south by the Magdalena Fault. The Basin axis is defined by the Javier-Undues Syncline. To the west, the Basin climbs to the Flexura de Ruesta, a northwest-southeast offset block contemporaneous with evaporite deformation that resulted in a higher saddle area between the Muga and Pintano sub-basins. Approximately vertical faults parallel to the west of the Flexura de Ruesta have been defined by two-dimensional (2D) seismic surveys (Empresa Nacional Adaro Investigaciones Mineras [E.N. Adaro] 1988–1991). Basin continuity to the east-southeast into has not been well-defined by drilling programs or seismic surveys yet.</p> <p>A 2D high-resolution seismic survey was run for POSUSA in August–October 1988, by CGG over most of what is now the project area. This consisted of 9 lines totalling 55km (Geoalcali 2012). The resulting structure maps for both the top (techo) and bottom (muro) of salt were developed by CGG in combination with the regional seismic, field map, satellite imagery, and drill hole data.</p> <p>– The surface, defined as the base of the salt and top of the Pamplona Marls, will be used in the new geologic/computer model. The potash-bearing zones lack any velocity/density contrasts within the salt; it is not possible to detect potash or map the structure of the zone directly. Coverage of the seismic interpretation does not extend to the northwest part of the basin.</p>

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> – Potash is used to describe any number of potassium salts. By and large, the predominant economic potash is sylvite: a KCl usually found mixed with salt to form the rock sylvinitic which may have a K₂O content of up to 63% in its purest form. Carnallite, a potassium magnesium chloride (KCl•MgCl₂•6H₂O), is also abundant, but has K₂O content only as high as 17%. “Carnallite” is used to refer to the mineral and the rock interchangeably, although “carnallitic” is the more correct terminology for the carnallite and halite mixture. Besides being a source of lower grade potassium, carnallite involves a more complex production path, so it is less economically attractive. The depositional environment is that of a restricted marine basin, influenced by eustasy, sea floor subsidence, and/or uplift and sediment input. It is suggested that the basin is a combination of reflux and drawdown. Reflux represents a basin isolated from open marine conditions thereby restricting inflow, increasing density, and increasing salinity. Drawdown is simple evaporation in an isolated basin resulting in brine concentration and precipitation. This is the classic “bull’s-eye” model (Garrett 1996). In this case, the basin is further influenced by erosion at the basin edges due to contemporaneous and post-depositional uplift, resulting in localised shallowing and sediment influx (Ortiz and Cabo 1981). In that classic model, a basin that is cut off from open marine conditions will experience drawdown by evaporation in an arid to semi-arid environment. In the absence of sediment influx, precipitation will proceed from limestone to dolomite to gypsum and anhydrite to halite. Depending on the composition and influences of the brine at that time, the remaining potassium, magnesium, sulfates, and chlorides will progress from potassium and magnesium sulfates to sylvite and then carnallite. The formation of sylvite and carnallite are proposed herein as secondary and primary, respectively. – In the Pintanos Project area, the mineralogy is dominated by sylvinitic and some carnallite appearing as medium red-orange and white, largely coarse crystals in bands and in heavily brecciated beds with high insoluble material, largely fine-grained clays, anhydrite and marl. The upper potash beds transition to finely banded light brown marls and clays. The salts just below the upper potash tend to be dark grey to black. In some lower beds, halite becomes brownish, sandy to coarsely granular sand and sandstone as sediment influx from the basin edges. In portions of the halite beds, sediment influx from the basin edges is seen as sandy to coarsely granular sands and sandstones. The lower salt is banded, exhibits very large cubic crystals and, in some cases, high angles and folding indicative of recrystallisation and structural deformation. The literature denotes this salt as the “sal vieja” or “old salt” (Ortiz and Cabo 1981). The evaporite beds and bands, in general, are separated by fine to very coarse crystallised and recrystallised salts, generally grey, sometimes light to medium honey brown or white, with anhydrite blebs, nodules and clasts.
Drill hole information	<ul style="list-style-type: none"> – A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> · easting and northing of the drill hole collar · elevation or RL (Reduced Level—elevation above sea level in metres) of the drill hole collar · dip and azimuth of the hole · down hole length and interception depth · hole length. – If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> – Exploration drilling results for modern holes are summarised in Highfield’s previous ASX releases. – Potash mineralisation occurs in three principal beds (in descending order P0, PA and PB), ranging in depth from approximately 100m to more than 1,100m. – The 20 November 2013 maiden MRE for the Pintanos property was independently developed by USA geology and mining consultants Agapito. The MRE was based on the results of geological studies, 2D seismic analysis, exploration drilling, electronic logging (elogs), and chemical analyses. Drill holes included the historic holes (POSUSA 1987); the historic holes identified beds P0, PA and PB. – The resource composite intervals were used for resource modeling and represent the higher grade subsets of the correlated geologic (stratigraphic) intervals. Regional correlations of the bed intervals are based on modern and historical drill hole core logs, chemical analyses, geophysical surveys, and structural/depositional modelling. Assay results and measured thicknesses have been reported in previous press releases. – Barren holes PP-1, Magdalena and P13-06 define the western Basin boundary. The western boundary is open but not well-defined because of an absence exploration holes to the west. P13-06 is structurally high, barren, and reflects some influence of dissolution and sediment influx at the northern Basin edge. The hole is largely barren of salt and dark clays show oxidation as red colour, and lightening. The northern Basin edge is defined by holes Pintanos-2 and Pintanos-3. Pintanos-2 is not barren but historic assays are not available, therefore interpreted as barren. – The southern Basin edge is bound by the Magdalena Anticline open but not well defined because of an absence exploration holes to the west. The salt is believed to plunge below these holes on the anticline.

Criteria	JORC Code explanation	Commentary
Data aggregation methods	<ul style="list-style-type: none"> – In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cutoff grades are usually Material and should be stated. – Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. – The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> – Composites by weighted average were made from the geochemical data to optimise grade and thickness of the mineralised seams in both the new and historical data. The resource composite intervals were used for resource modelling and represent the higher grade subsets of the correlated geologic (stratigraphic) intervals. – Regional correlations of the bed intervals are based on modern and historical drill hole core logs, chemical analyses, geophysical surveys, and structural/depositional modelling. Bed composite grades are calculated as length-weighted average values over continuous intervals. – All potassic values are in K₂O percent. Most cations are reported as oxides and water-soluble material on a percent basis. ICP and XRF testing reports are in elemental values, but the industry standard is to report in oxides.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> – These relationships are particularly important in the reporting of Exploration Results. – If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. – If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). 	<ul style="list-style-type: none"> – All deviation data were available in the 2014–2017 drilling program. In building the new database, apparent bed dips from the lithology logs were incorporated from historical and new holes to attempt to correct to true vertical bed thickness. In some cases, high-angled bedding is noted within the potash beds, but may be an indication of recrystallisation of carnallite to sylvinite, resulting in a volume reduction largely by the hydrous component of carnallite. In those cases, apparent dip was reduced to reflect the bed below or above the potash which in most cases was less steep. – In the absence of deviation surveys, historical holes were assumed to be vertical. Data on bed orientation were incorporated into the database to calculate apparent true thickness.
Diagrams	<ul style="list-style-type: none"> – Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> – Figure 3, page 32 illustrate Highfield's Pintanos property showing the current JORC Mineral Resource footprints showing Pintanos regional structure and location of drillholes.
Balanced reporting	<ul style="list-style-type: none"> – Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> – Updated assay results are presented in previous Highfield ASX releases.
Other substantive exploration data	<ul style="list-style-type: none"> – Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples—size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> – A 2D high-resolution seismic survey was run for POSUSA in August–October 1988, by CGG over most of what is now the project area. This consisted of 9 lines totalling 55km (Geoalcali 2012). An additional 2D seismic was run at a later date (unknown) increasing the total available seismic to 16 lines, totalling 87.3km (RPS 2013). – RPS of Calgary, Alberta, Canada completed a re-interpretation of the 2D historical seismic lines and profiles on behalf of Highfield. The re-interpretation program was designed to review the overall accuracy of the historical data in terms of good correlation to drill hole data and geological intersections, as well as identify any sub-surface structures that may adversely affect the salt-bearing strata within the project area. A total of 16 lines were reviewed and were tied to wells with historical wireline data from the 2D seismic RPS. The paper copies of the seismic were digitized as the original tapes were unavailable. – RPS interpreted that there is no indication of widespread salt removal due to faulting or dissolution. Deep structural features are noted across the project area, and only poor quality seismic data exist over these features. A large-scale structural high is present between the Javier and Los Pintanos areas, separating them geologically. – The CPs initially used these structural data but the historical map is modified and corrected to reflect updated drill hole information.
Further work	<ul style="list-style-type: none"> – The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). – Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> – The Pintanos exploration drilling program is still in progress. Exploration holes for resource extension are planned for Molineras 10 and Molineras 20 for resource extension.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	<ul style="list-style-type: none"> - Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. - Data validation procedures used. 	<ul style="list-style-type: none"> - Composite values and hole depths/coordinates in the Strat3D geologic block model were visually compared (on screen) with values in the database values for accuracy. - Block model grade and thickness results were compared with the drill hole database to ensure a realistic representation of the composites in the vicinity of drill holes. - In modern holes, duplicate and check assay samples were prepared for select intervals in each potash cycle. Duplicate cores were quartered and sent to ALS for analysis. ALS incorporated blank, repeat, and potash standard samples in the testing protocol. Check samples were sent to a second qualified laboratory to verify results. ALS maintains its own internal procedure and chain of custody to high industry standards. There was good agreement in the duplicates. - ALS is a laboratory of international repute for the analysis of potash. ALS maintains its own QC program. QC measures, and data verification procedures applied, include the preparation and analysis of standards, duplicates, and blanks. - Check samples were sent to SRC in Saskatoon, Canada, an accredited lab, and run with the same procedure as SRC and also showed good agreement.
Site visits	<ul style="list-style-type: none"> - Comment on any site visits undertaken by the Competent Person and the outcome of those visits. - If no site visits have been undertaken indicate why this is the case. 	<ul style="list-style-type: none"> - CPs visited the project multiple times between 2011 and 2017 and oversaw the geologic operations before, during, and after drilling. - The CPs visited the ALS Laboratory Group assay sample preparation facility in Seville, Spain on 30 August 2013. - The visits were conducted for the purposes of exploration planning, data collection, site observation, core inspection, drill rig inspection, assay lab inspection, and QA/QC confirmation.
Geological interpretation	<ul style="list-style-type: none"> - Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. - Nature of the data used and of any assumptions made. - The effect, if any, of alternative interpretations on Mineral Resource estimation. - The use of geology in guiding and controlling Mineral Resource estimation. - The factors affecting continuity both of grade and geology. 	<ul style="list-style-type: none"> - To the northwest and west, the resource bound by a structural limit defined by holes PP-1 and P13-06, analogous to the eastern limit of Muga Project. - To the south, the Mineral Resource is allegedly bound by the plunging La Magdalena anticline, but further drilling is recommended. - The Mineral Resource remains open to the east into the Molineras 20 permit area at increasing depth. - Grade parameters were composited as length-weighted averages of the individual assays over a continuous bed thickness. In most instances, top and bottom bed contacts are gradational, introducing some trade-off between grade and thickness. Contacts were selected to maximize thickness while maintaining a composite grade as close as possible to 12.0% K₂O with a true thickness equal to greater than 1.5m. Depending upon the vertical grade distribution, bed thicknesses less than 1.5m and composite grades less than 8.0% K₂O were required for geologic modelling in some instances. - Structural dip was calculated from the base-of-salt surface constructed from seismic, outcrop, and drill hole data. Dips in individual beds were adjusted locally by stacking the variable-thickness interburden and potash beds above the base-of-salt surface. - Drill hole and seismic indicate generally predictable bed continuity across the property, nonetheless variation in potash thickness, grade, and mineralogy between drill holes can be expected. Faults, folds, and other structural disturbances can sterilise resource locally. Potash quality can be affected by varying depositional environments or structure, including depositional highs, syngenetic faulting, basement carbonate mounds, algal reefs, post-depositional gypsum dewatering, groundwater dissolution along fault conduits, and by other complex features.

Criteria	JORC Code explanation	Commentary
Dimensions	<ul style="list-style-type: none"> – The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource. 	<ul style="list-style-type: none"> – The Mineral Resource occurs in potash beds P0, PA and PB, at least over an area spanning approximately 7 km². – The Mineral Resource ranges in depth between 500m and 1,200m deep. – Secondary grade constituents (MgCl₂, insoluble and halite) were modelled with the block model and show a degree of variability similar to K₂O grade.
Estimation and modelling techniques	<ul style="list-style-type: none"> – The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. – The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. – The assumptions made regarding recovery of by-products. – Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation). – In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. – Any assumptions behind modelling of selective mining units. – Any assumptions about correlation between variables. – Description of how the geological interpretation was used to control the resource estimates. – Discussion of basis for using or not using grade cutting or capping. – The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. 	<ul style="list-style-type: none"> – The Mineral Resource was quantitatively estimated using a computer 3D gridded-seam geologic (block) model constructed with Strat3D v 2.2.82.0 software. – Data utilized in the model include historic and modern drill hole logs and assays, historic and modern interpretations of 2D seismic surveys, surface topography in the form of a digital elevation model (DEM), permit boundary lines and historic resource analysis. – Grade parameters used in the block model were composited as length-weighted averages of the individual assays over a continuous bed thickness. – No drill holes or drill hole data were excluded from the model. No assay or composite outliers were identified, and none were excluded, cut, or capped in the model. – Bed thicknesses were corrected to true thicknesses for modelling according to local dip and downhole deviation survey data. Historic holes lacking deviation surveys were assumed vertical. – Block true thicknesses and grade parameters (K₂O, MgCl₂, insoluble and halite content) were interpolated/extrapolated utilizing an inverse distance cubed (ID3) model. An ID exponent of 3.0, instead of a lower value such as 2.0, was selected to enhance local variability in the model consistent with the variability evident in the drill holes. – The potash beds of interest were gridded into single layers of 50m-square blocks of variable vertical thickness representing the local thickness of the respective potash bed. – Block estimation was conducted using an anisotropic elliptical search radius (limiting search distance) with a major axis of 4,000m oriented at an azimuth of 120 degrees, and a minor axis of 2,000m perpendicular to the major axis. Grade estimation was conducted using a major axis of 400m following the same bearing and a minor axis of 200m perpendicular to the major axis. – Anisotropic distance scaling was applied such that sample weighting in the minor axis direction was scaled by the ratio of the axis lengths, i.e., samples were given half the weight in the minor axis direction versus the major axis direction for the same separation distance. – Sampling was limited to the 15 closest data points (drill holes) within the search ellipse, with a minimum of 3 data points. The anisotropic model showed a subtle difference compared to an isotropic model. The anisotropic model is thought to better represent geologic interpretation analogous to Muga Project. – Comparative modelling produced expected results, thus supporting the reasonableness of the ID3 model.
Moisture	<ul style="list-style-type: none"> – Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	<ul style="list-style-type: none"> – Tonnages are estimated using variable bulk density of 2.12 g/cm³ based on bulk density assays from core samples. – The resource comprises both sylvinite and carnallite mineralization. – Sylvinite is a mechanical mixture of halite (NaCl) and sylvite (KCl) typically with inclusions of insolubles (typically clays) and limited carnallite (KCl·MgCl₂·6H₂O).
Cutoff parameters	<ul style="list-style-type: none"> – The basis of the adopted cutoff grade(s) or quality parameters applied. 	<ul style="list-style-type: none"> – The MRE is based upon the following cutoffs which support reasonable prospects for economic extraction by conventional mining methods: <ul style="list-style-type: none"> · Bed true thickness ≥ 1.5m: Cutoff is grade ≥ 8.0% K₂O-in-sylvite · Bed true thickness < 1.5m: Cutoff is grade x thickness ≥ 12.0%K₂O-in-sylvite-m – The grade-thickness cutoff maintains the equivalent of an 8.0% K₂O grade at 1.5m for thin beds (<1.5m). – No cutoff is applied for insolubles or carnallite (i.e., magnesium) content.

Criteria	JORC Code explanation	Commentary
Mining factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. 	<ul style="list-style-type: none"> The MRE does not include any out-of-bed dilution. The analysis assumes a base case mining scenario with multi-seam room-and-pillar mining. Comparable room-and-pillar mining was conducted successfully at POSUSA /Adaro's Navarra and Subiza potash mines at Sierra del Perdón under similar geologic conditions from the 1970s through 1990s.
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	<ul style="list-style-type: none"> The preliminary economic analysis supporting reasonable prospects for eventual economic extraction of the Mineral Resource assumes processing with conventional crushing and flotation. Flotation was used successfully to process similar sylvinite mineralisation at POSUSA/Adaro's Navarra and Subiza potash mines at Sierra del Perdón from the 1970s through 1990s. Preliminary flotation testing conducted by Geocalci on sylvinite core from Muga supports KCl recoveries in excess of 80%, similar to the historical Navarra and Subiza potash mines and sufficient to justify reasonable prospects for eventual economic extraction. High insolubles and high magnesium (associated with carnallite) have the potential to reduce KCl recovery during the flotation process.

Section 4 Estimation and Reporting of Ore Reserves

No mineral reserves are reported on the Pintanos Project.

Important Information and Disclaimers

Forward Looking Statements

This Report includes certain 'forward looking statements'. All statements, other than statements of historical fact, are forward looking statements that involve various risks and uncertainties. There can be no assurances that such statements will prove accurate, and actual results and future events could differ materially from those anticipated in such statements. Such information contained herein represents management's best judgment as of the date hereof based on information currently available. The company does not assume any obligation to update any forward looking statement.

Competent Person Statement

The Review of Operations contained within this annual report was prepared by Mr. Peter Albert, CEO and Managing Director of Highfield Resources. The information in this document that relates to Ore Reserves, Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Mr. José Antonio Zuazo Osinaga, Technical Director of CRN, S.A., Managing Director of CRN, S.A. and Mr. Manuel Jesús Gonzalez Roldan, Geologist of CRN, S.A. Mr. José Antonio Zuazo Osinaga is a licensed professional geologist in Spain, and is a registered member of the European Federation of Geologists, an accredited organization to which the Competent Person (CP) under JORC Code Reporting Standards must belong in order to report Exploration Results, Mineral Resources, Ore Reserves or Exploration Targets through the ASX. Mr. José Antonio Zuazo Osinaga 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 CP as defined in the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.