



Annual Report

31 December 2017

highfieldresources.com.au

ABN 51 153 918 257

Contents

Page

Corporate Directory	1
Chairman's Letter	3
Chief Executive Officer's Letter	5
Sustainability Report	6
Directors' Report	18
Financial Report	48
Consolidated Statement of Profit or Loss and Other Comprehensive Income	50
Consolidated Statement of Financial Position	51
Consolidated Statement of Changes in Equity	52
Consolidated Statement of Cash Flows	53
Notes to the Consolidated Financial Statements	54
Directors' Declaration	75
Auditor's Independence Declaration	77
Independent Auditor's Report	78
ASX Additional Information	82





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

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Stock Exchange

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: HFR



Chairman's Letter

Dear Shareholders

As a result of changing our reporting period end from June to December, it is only a short six months since my last letter to you. These six months have seen intense activity by the Company, especially in the area of our environmental permit application. Most of the work required by the Company was completed prior to the period end, although two reports remained to be submitted to the authorities in Madrid by interested parties, both of which have now been submitted.

The quality of technical work and the relationships that have been established with all authorities over the past 18 months as well as the positive feedback received, reinforce the Company's confidence that a positive environmental declaration will be issued by the authorities. Once we receive the environmental permit, we will be in a position to secure the mining concession and necessary construction permits and whilst these will likely take several months, we anticipate that the process will be relatively straightforward.

Potash prices have continued their slow but steady recovery with prices typically up by US\$20-30/tonne during 2017. Also, most forecasts predict further steady rises in 2018. This continued improvement reaffirms our confidence about the medium and long term outlook for the commodity, and we remain committed to developing the remarkable Muga project into a business which will operate profitably in any market environment.

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



Derek Carter
23 March 2018



Chief Executive Officer's Letter

Dear Shareholders

The past six months have been a period of intense activity for the management team. During May and June 2017, the authorities in Madrid completed their initial review of the Company's revised submission and in July 2017 they initiated the formal process of seeking input from all relevant government and other interested parties. Reports and comments from all those parties, except two, were received prior to the end of November 2017. In parallel, the Company decided to initiate a voluntary second public exposition of its environmental submission which commenced in early September 2017 and was completed by mid-October 2017. By the end of November 2017, the Company had formally responded to all submissions in both the formal and voluntary process – except of course for the two outstanding reports. The Company considers that in all of this documentation, there was nothing material or significant that could impact on the authorities' ability to issue an environmental permit to the Company. The two outstanding reports were received in January and February 2018 and MAPAMA has subsequently requested, as the final step in the process, that the Company provide more detail and clarification around the areas of seismicity, subsidence, and salt by-product management. MAPAMA has requested that this clarification be provided within three months. I remain confident that the work completed over the past 18 months will yield the result that the Company and all stakeholders desire.

Once the environmental permit is received, the Company can then formally commence the application for the mining concession and various construction permits required. Whilst all of the authorities required to issue these permits have been actively engaged in the process to date, it is not possible to actually submit applications until the environmental permit is received and any conditions are well understood. These construction permits may take some months to receive but it is understood to be mostly a procedural process. The Company has been in dialogue with the relevant bodies and has already prepared preliminary documentation in anticipation of when formal applications can commence.

Whilst the environmental permitting process has been advancing, the team has also been taking the opportunity to review other aspects of the project. Of particular note are additional metallurgical testwork seeking to optimise the flowsheet, mining studies to confirm and optimise decline development and mine planning, and planning and tendering of early packages to enable commencement of construction as soon as the relevant permits are received.

Another key initiative during the period was the signing of an updated MOU with Acciona for construction activities at the Muga Project. Acciona has continued to provide advice and support to the business since its initial engagement some two years ago.

At Highfield and its Spanish subsidiary Geoalcali we have an uncompromising belief that working in accordance with our Core Values of Commitment, Respect, Excellence and Attitude will deliver the outcomes that all of us as stakeholders are seeking. I would like to take this opportunity to thank all of the team at Geoalcali as well as the Highfield Board for their commitment, support and dedication. It is an outstanding group of professionals.

Muga is clearly a great project and our first and overriding priority is to bring the Muga Mine into operation. Exploration activities on the projects on our tenements are advancing in line with Company plans and will accelerate once Muga commences construction.

I look forward to a challenging but successful year ahead in 2018 for the Company.



Peter Albert

23 March 2018



Sustainability Report

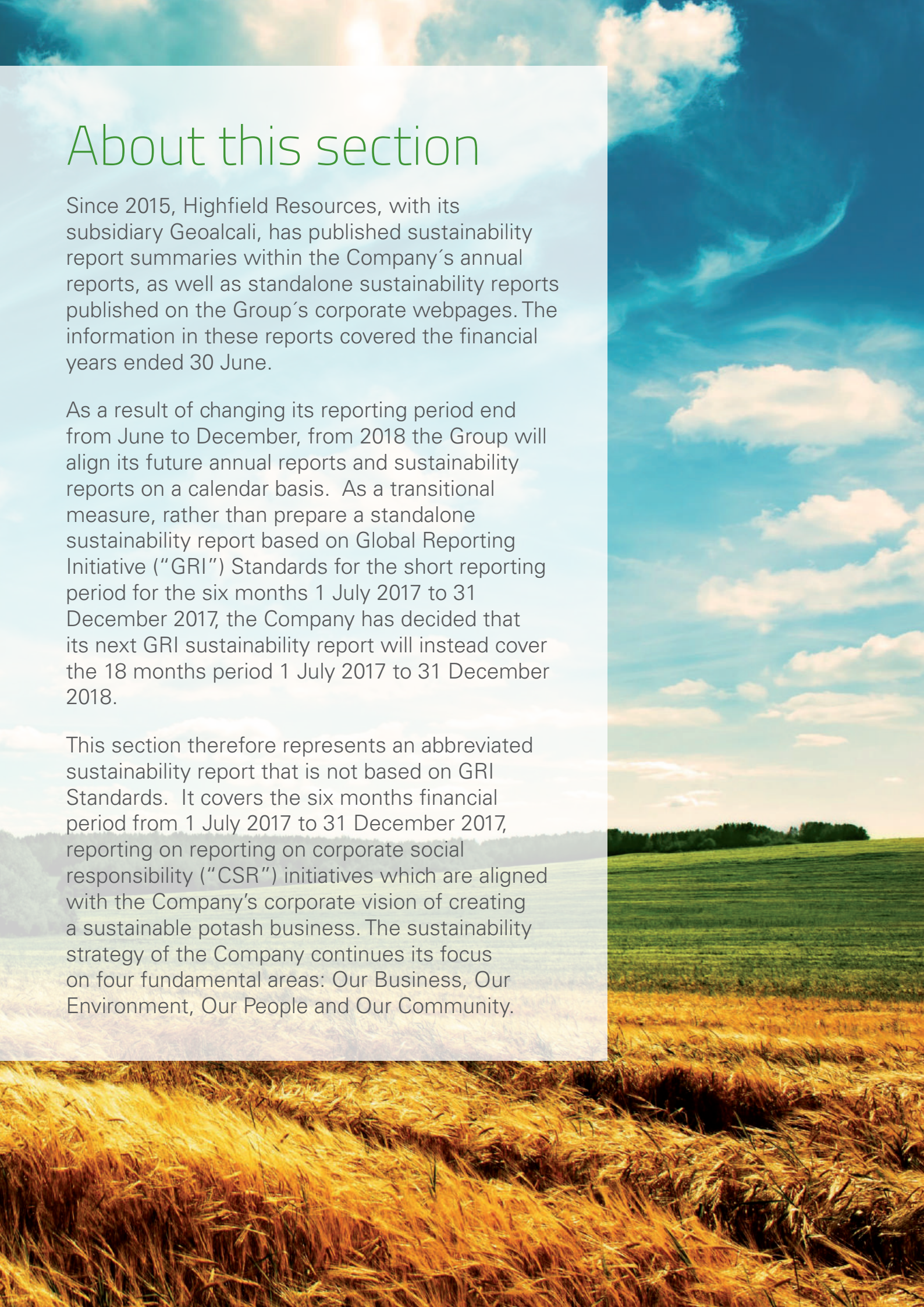


About this section

Since 2015, Highfield Resources, with its subsidiary Geocalci, has published sustainability report summaries within the Company's annual reports, as well as standalone sustainability reports published on the Group's corporate webpages. The information in these reports covered the financial years ended 30 June.

As a result of changing its reporting period end from June to December, from 2018 the Group will align its future annual reports and sustainability reports on a calendar basis. As a transitional measure, rather than prepare a standalone sustainability report based on Global Reporting Initiative ("GRI") Standards for the short reporting period for the six months 1 July 2017 to 31 December 2017, the Company has decided that its next GRI sustainability report will instead cover the 18 months period 1 July 2017 to 31 December 2018.

This section therefore represents an abbreviated sustainability report that is not based on GRI Standards. It covers the six months financial period from 1 July 2017 to 31 December 2017, reporting on reporting on corporate social responsibility ("CSR") initiatives which are aligned with the Company's corporate vision of creating a sustainable potash business. The sustainability strategy of the Company continues its focus on four fundamental areas: Our Business, Our Environment, Our People and Our Community.



Our Business

MILESTONES IN THE PERMITTING PROCESS

The Company has continued its environmental evaluation process in order to obtain the Environmental Impact Statement - Declaración de Impacto Ambiental ("DIA") (or "DIA") for the Muga Project.

MILESTONES IN THE PERMITTING PROCESS (CONSULTATION OF AFFECTED ENTITIES AND STAKEHOLDERS AND VOLUNTARY SECOND PUBLIC CONSULTATION PROCESS)	
June 2017	The completed updated documentation was presented on 28 April 2017 to the Ministry of Agriculture, Fishing, Food and Environment ("MAPAMA") which in turn passed it to the Ministry of Industry, Energy, Tourism and Digital Agenda ("MINETAD") as the next step in the process. MAPAMA commenced its technical evaluation that will form the basis of the official DIA response.
July 2017	MINETAD as the responsible coordinator for the process, commenced a Consultation of Affected Entities and Stakeholders for the updated documentation in accordance with Article 37.5 of the Environmental Evaluation Law 21/2013.
September 2017	<p>Geoalcali decided to submit the updated documentation voluntarily to a second public consultation period, making it available to all stakeholders. The documents within this new public exposition were:</p> <ul style="list-style-type: none"> – Mine Development Plan; – Environmental Impact Assessment; and – Restoration Plan. <p>While there was no legislative requirement for Geoalcali to undertake a second public consultation, due to the nature of the Project and the time elapsed since the first consultation, Geoalcali believed, and continues to believe, that it is important to provide stakeholders with the information related to the Project which formed the basis of the environmental submission on 28 April 2017. It also provides a stronger basis for the authorities to support the granting of the DIA and reduces the risk of a later challenge by any party that may feel it has not been appropriately consulted.</p>
November 2017	<p>Geoalcali received submissions with comments and recommendations from interested parties, administrations and other entities, excluding the reports from Instituto Geológico y Minero de España ("IGME") and from the Ebro river water management authority, Confederación Hidrográfica del Ebro ("CHE"), which were received in January and February 2018, respectively.</p> <p>Geoalcali presented responses to all submissions received to date.</p>
March 2018	<p>Geoalcali confirmed that it had received copies of the two remaining reports submitted to MAPAMA by IGME and CHE in January and February.</p> <p>The Company also confirmed that MAPAMA had completed its review of the reports received from all of the referral authorities, and had requested further clarification, within three months, on seismicity, subsidence and salt by-product management, as the final step in the environmental permitting process.</p>



COMMITMENT TO TRANSPARENCY AND PUBLIC INFORMATION

The permitting process for the Muga Project has included a public consultation held in 2015 as required under Article 36 of Environmental Evaluation Law 21/2013. The legislation also requires the Consultation of Affected Entities and Stakeholders under Article 37.5 of Environmental Evaluation Law 21/2013. This process commenced in July 2017. Parallel to the Consultation of Affected Entities and Stakeholders, Geoalcali carried out a voluntary second public consultation, not required by law but as a commitment to inform all stakeholders about the updated documentation that improved the project, including suggestions incorporated from the 2015 public consultation process and suggestions from Affected Entities and Stakeholders.

The voluntary second public consultation commenced in September 2017 to avoid the summer holiday period and to ensure a greater stakeholder participation. It was officially endorsed and published in the Government Gazettes of Aragon, Navarra and the Central Government. The duration of this consultation, as regulated by law, was 30 days.

In addition to the permitting process Geoalcali also published the updated documentation on its corporate website, making it accessible to anyone with an interest in the project. Geoalcali also held an Open Doors event in the town of Sangüesa close to the intended mine site, inviting the surrounding communities to participate in a transparent communication forum.

ANALYSIS OF SUBMISSIONS FROM STAKEHOLDERS

Geoalcali is committed to listening to all stakeholders' suggestions. Stakeholders have participated in the official consultation phase and they also have constant access to information generated by Geoalcali through a number of different open communication channels (further explained in the section "Our Community").

As a response to the Consultation of Affected Entities and Stakeholders, Geoalcali has received reports from:

- Ten Departments in the Administration. None of which have indicated a critical impact nor administrative or technical obstacle/barrier. Many have confirmed their prior observations and indications integrated in the technical documentation;
- Two political parties (EH Bildu of Sangüesa and Chunta Aragonesista). These parties requested that Geoalcali hold a new public information period, which has been carried out through the voluntary public consultation process. They also provided a number of suggestions regarding the project, to which responses have been given; and
- Five reports with submissions from three ecologist associations and two individuals which have received responses to the questions presented.

As part of the voluntary second public consultation, Geoalcali has also received submissions from:

- Four government departments, which as mentioned above do not refer to the project having a critical impact;
- Four local administrations of towns within 50 kilometres of the Muga Project, whose questions have been addressed;
- Three political parties, whose questions have been addressed;
- Seven associations, four of whom are ecologist associations; and
- Two formats of submissions drafted by an anti-mine platform and an ecologist association were signed in total by 610 individuals (only 93 of whom are from the region).

By contrast, during the first public consultation in 2015, Geoalcali received 19 submissions from government departments and 3 formats of submissions from the same anti-mine platform and an ecologist association, signed by 476 individuals, only 124 of whom were from the region.

As a proportion of the population, the number of submissions per person from the surrounding communities fell from 1.9 per 100 persons during the first public consultation to 1.4 during the second.



The communities surrounding the project have a total population of 6,550 inhabitants:

Aragón	
Undués de Lerda	61
Urriés	37
Sos del Rey Católico	614
Navardún	43
Los Pintanos	44

Navarra	
Sangüesa	5,020
Javier	103
Liédena	303
Rocafort	40
Yesa	285

ENHANCING OUR CORE VALUES

Our core values are Commitment, Respect, Excellence and Attitude ("CREA"). Behaving according to these core values is fundamental to the Company's vision of developing a successful, sustainable potash business with respect for stakeholders and the environment.

For this reason, a number of initiatives have been carried out to encourage all employees to uphold the core values of the Company.

"The commitment to CREA is absolutely necessary for each and every one of us. CREA is the fundamental glue that keeps us united!"

CEO, Peter Albert



Compromiso Respeto Excelencia Actitud

CREA

Commitment Respect Excellence Attitude

The Company believes that maintaining an open and respectful two way communication with staff is crucial for understanding the Company's vision and strategy and emphasises the commitment of the Company towards an honest and transparent work environment. The following initiatives helped the Group reinforce this philosophy:

- **Lunches with Peter** - in which a group of five or six people at a time get together to talk with the CEO in a relaxed environment. All employees are presented with this opportunity.
- **Coffee talks** - brief talks or themed presentations from specific team members on topics of interest. During the six months period a number of coffee talks have also been presented by local professionals on a variety of beneficial topics such as sport activity, nutrition, and mindfulness.
- **CREA(tive) Competition** - employees were asked to submit creative ideas that will help improve any aspect of the Company. The awards were presented at a Christmas Party alongside the Health and Safety awards (see below). The winning ideas, chosen from over 30 entries, were:
 - Using 360 degree feedback to evaluate Geocalci's management and workforce;
 - Installation of solar panels on the roofs of the Muga Mine buildings to produce energy and offset greenhouse gas emissions; and
 - Creation of a team planning board where employees identify their current tasks and stay informed of others' tasks, in order to carry out work punctually and improve distribution of the workload.
- **Awareness via Communication material** - new corporate materials have been used to promote the CREA values and their increasing incorporation into the daily lives of our employees.
- **Performance Review Process** - at the end of the calendar year all personnel have an annual performance assessment based on achievement of personal goals and alignment with CREA values. A six months interim review is also performed half way through the year.

Our Environment

ENVIRONMENTAL AWARENESS CAMPAIGNS

The following environmental awareness campaigns were carried out during the six months period:

Use of Green Search Engine Technology in our Offices

This initiative consists of the installation of Ecosia as a search engine on our office computers. Ecosia donates 80% of its profits from search advertising revenue to support tree planting programmes around the world. Desertification of land due to deforestation is a cause of poverty with huge implications for environmental, social and economic improvements in disadvantaged areas.



The Importance of Recycling

Panels have been created and displayed on Geocalci's premises highlighting the benefits of recycling and waste separation as well as the problems produced by excess waste generation and dumping and the lack of management of these aspects. The Company believes that a few simple habits can have a positive effect in the environment.

ZERO ENVIRONMENTAL INCIDENTS

During the period, no environmental incidents occurred in the workplace, fulfilling the Company's environmental protection objective of zero environmental accidents during exploration drilling activities.



Our Community

ENGAGEMENT WITH THE COMMUNITY

Since its inception, the Company has been committed to transparency as key to an open and continuous communication with the local communities. Different talks, presentations and diverse activities have been undertaken by Geocalci and such activities will continue throughout all stages of the project.

Our communication activities in numbers up to the end of December 2017 have included:

- More than 1,400 people have been involved in information processes;
- 12 information days on various subjects have been carried out;
- Two public consultations have been held for the Muga Project, the second carried out voluntarily by Geocalci;
- The complete information portfolio for Muga Mine is available on the website;
- Adoption of a voluntary Public Participation Process methodology, a pioneer example in the industry;
- More than 22 update communications have been sent out;
- Geocalci has distributed 18,000 information leaflets in communities close to the Muga Mine location;
- Installation of suggestion boxes in nearby towns;
- More than 4,000 people have subscribed to Geocalci's database;
- Some local Councils have initiated a section to provide information on Muga Mine on their websites; and
- More than 200 people attended the Open Doors Event.

OPEN DOORS EVENT

On 11 October 2017, an Open Doors Event was held in the warehouse in Sangüesa that Geocalci uses for its exploration programme.

Approximately 200 local people were able to see first-hand all the information regarding the Muga Project. Among the attendees were the mayors of towns and villages close to the Muga Mine location including Sangüesa, Javier, Yesa, Ezprogui, Liédena, Cáseda, Lumbier, Petilla de Aragón, Undués de Lerda, Sada and Rocaforte, as well as members of different associations and representatives from Cederna Garalur and Adefo (regional institutions that help boost these rural areas).

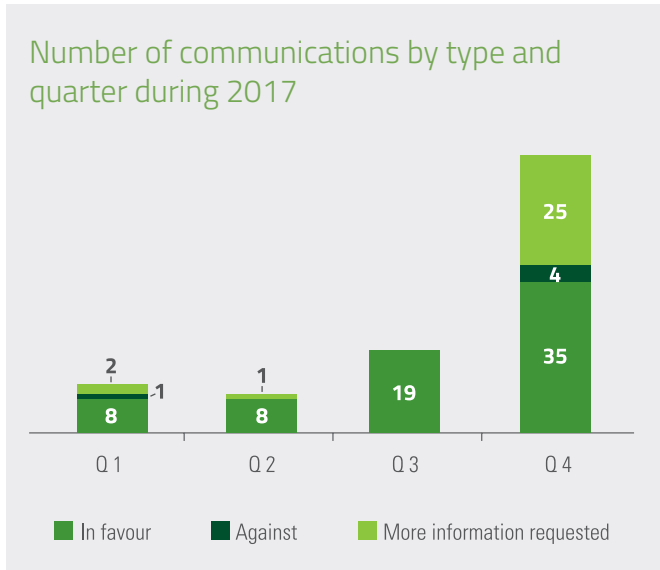
The event was also attended by more than 50 students from the Institute of Professional Training of Lumbier.

Along a route established inside the warehouse, the attendees were able to understand details of the current phase of the project, the environmental management processes and the economic and social benefits that will be generated by the Muga Mine. The visitors were also able to meet the Geocalci management and technical team members to discuss the project.

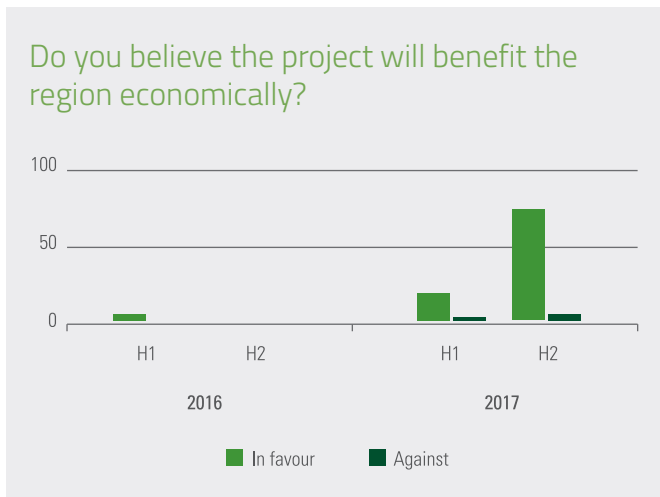


PARTICIPATION FROM THE LOCAL COMMUNITY

As shown in the graph below, there were 83 questions or comments from the community in the second half of 2017 through Geocalci's "Queremos escucharte" ("We want to listen to you") online and offline questionnaires, compared with 20 in the first half of 2017.



The above graph shows that 68% of comments were in favour of the project, 5% against and 27% from those who wish to know more about the project. The majority of the requests for more information came from the Open Doors Event, indicating increased interest in the project and the success of the event in encouraging participation from the community. One of the key questions in the questionnaires is "¿Piensas que el Proyecto traerá riqueza a la zona?" (Do you think the project will bring wealth to the region?) with responses indicating that 93% of those who have participated agree with the positive economic impact the project will have on the region.



COMMUNITY FEEDBACK

While some have expressed their disagreement about the Muga Project, no complaints have been made about the conduct of the Company.

A number of queries were received in 2017 from both the website and suggestion boxes, all of which have been answered. As with the questionnaires noted above, there were more queries in the second half of 2017 compared with the first half, confirming increasing interest in the project.

	H1	H2
Received	5	17
Answered	5	17
	100%	100%

CERTIFICATES AND RECOGNITION

In 2017 Geocalci received the renewal of its Corporate Social Responsibility certificates from the Governments of both Navarra and Aragón.



Geocalci received its InnovaRSE certificate from the Government of Navarra

THE GEOALCALI FOUNDATION

The Geocali Foundation continues to support initiatives that aim to contribute to a better future and improved social well-being in the neighbouring communities. These initiatives are based on the Foundation's four pillars which are shown below and which are also part of the UN's Sustainability Development Goals:

- Social Integration;
- Sustainable Communities;
- Quality Education; and
- Commitment to the Environment.

Over the course of 2017, and especially in the six months ended in December, a variety of new projects were developed, while longer term initiatives continued to be supported. Initiatives in the second half of the year were:

ISO 26000 guidelines & UN Sustainability Development Goals	Geocali Foundation Initiative	Geocali Foundation Pillar			
		 Social Integration	 Sustainable Communities	 Quality Education	 Commitment to the Environment
Initiatives that promote Health	School Programme "Growing Healthy Together"			✓	✓
	Medical and ambulance expenses during local festivities in Sangüesa		✓		
Development and access to technology	Alta Cinco Villas Community e-learning programme	✓	✓	✓	
Promotion of Education and Culture	Support for Liedena's cultural heritage initiatives		✓	✓	
	Penultimate trip of the Irati train school history programme		✓		
	Brotherhood of Santa Bárbara festivities	✓	✓		
Employment Creation and Activity Development	Improvement of facilities for the reuse, resale, salvage, recycling or disposal of electric waste	✓	✓	✓	✓
Social Investments	Charity gala to raise money for solidarity projects for children with disabilities	✓	✓	✓	
	Cadete football tournament, "Castiliscar Histórica"		✓	✓	
	School transport services for Undués de Lerda		✓	✓	
	Production of benefit calendars with Anfas, an association that helps in the integration of disadvantaged people in Sangüesa	✓			

Our People

HEALTH AND SAFETY

During the six months financial period, employees of Geoalcali engaged in both office work and activities in the field and there were no accidents or incidents. However, during an exploration drilling campaign a contractor suffered a minor musculoskeletal injury, due to overstrain when handling the drill string. This lost time injury resulted in a short period of absence from work.

Geoalcali continues to strive for the achievement of zero accidents amongst all persons engaged in our project activities – whether employees, contractors or consultants.

On 1 June 2017, an incentives programme was created to increase the engagement of employees in a positive culture of health and safety and environmental management.

The aim of this programme is to have zero incidents and accidents in the work place. This goal cannot be achieved without active employee participation and all employees need to be aware of the importance of creating a culture that strives for excellence and best practices in health and safety.

The incentives programme takes into account the individual contribution of each worker, in terms of all types of risks detected and proposed preventative measures.

Following the end of the 2017 incentives programme period, the Incentives Committee assessed, both qualitatively and quantitatively, the 11 proposals received, and made awards to two employees.

STAFF TRAINING

During the six months financial period, 449 training hours were completed including: English and Spanish language courses to improve internal and external communication; a specialised advanced Excel training course for a technical member of the team with a high level of Excel knowledge who then gave internal training to others; and a course on the management of grants for training activities to understand the process of obtaining grants applicable to Geoalcali.

Safety training was provided to the warehouse operators on topics including low voltage electrical maintenance work.

TOWARDS A HEALTHY LIFESTYLE

Encouraging healthy habits

Geoalcali is committed to improving the health and fitness of its employees. In addition to the provision of fresh fruit for employees, weekly mindfulness sessions are carried out for those who wish to learn how to relax the mind, focus their attention and calmly handle day to day life. Sports activities are also encouraged to promote health in the workplace. All these initiatives are included within the Healthy Living programme.

Certificates and Recognition

During the period, Geoalcali presented its initiatives to promote healthy habits to the Sello y Premio Azul (Healthy Company Certificate and Award) organised by Mutua Navarra. This entity awarded Geoalcali the Sello Empresa Saludable (Healthy Company Certificate) as well as placing Geoalcali as a finalist with three other businesses in Navarra.

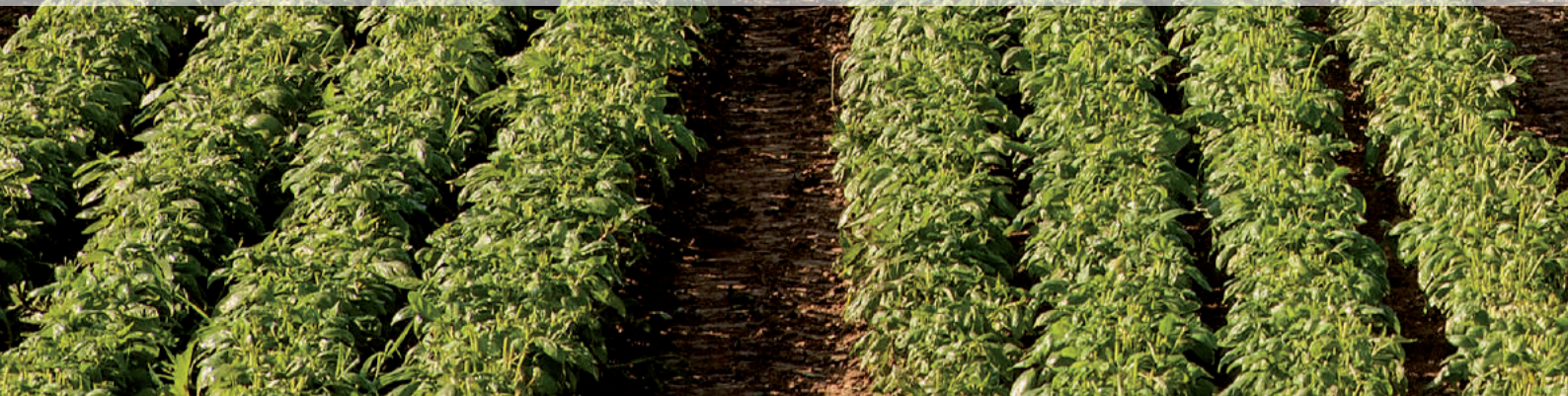
Geoalcali also received the renewal of the Reconcilia Seal, a certificate awarded to companies for their efforts in promoting work-life balance.

Flu vaccination campaign

The flu is one of the principal causes of absence in the workplace which occurs every year and affects a large number of workers on a national level. The best form of preventing the illness is providing free vaccination to the employees. Geoalcali's vaccination campaign took place between 30 October and 23 November 2017.



Directors' Report





The Directors present their report for Highfield Resources Limited ("Highfield Resources", "Highfield", or "the Company") and its subsidiaries ("the Group") for the six months ended 31 December 2017.

The Company changed its financial year end date from 30 June to 31 December to align with the Spanish financial year and the Company has elected to present an "annual report" for the six months transitional financial period ended 31 December 2017. The comparative period disclosures are for the year ended 30 June 2017.

DIRECTORS

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



Mr. Derek Carter

Independent 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 NL in 1993. He is the former Chairman of Petrathern Limited (resigned 31 March 2014) and 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. In the three years immediately before the end of the six months financial period, Mr. Carter held no other directorships of any 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

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 six months financial period, Mr. Albert held no other directorships of any listed companies.



Ms. Pauline Carr

Independent 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 six months financial period, 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 six months financial period, Mr. Crookes held no other directorships of any listed companies.



Mr. Jim Dietz

Independent 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 six months financial period, 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 is the Executive 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 six months financial period 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 member of a number of Government and industry advisory groups.

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 and Petrathern Limited. Additionally he is Company Secretary of Mithril Resources Limited, Duxton Broadacre Farms 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), Odin Metals Limited (formerly Lawson Gold Limited) (resigned February 2018) 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 the Highfield Group 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	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	Options – exercisable at \$1.34 each on or before 30 June 2025
Derek Carter	9,221,504	1,500,000	1,000,000	-	-
Peter Albert	78,000	-	-	3,000,000	1,820,654
Pauline Carr	30,000	-	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 Limited for the six months ended 31 December 2017 was \$469,661 (year ended 30 June 2017: \$7,081,884).

Dividends

No dividend was paid or declared by the Company during the six months financial period 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 Geocalci SL ("Geocalci"), a Spanish incorporated company which holds the Group's five exploration projects.

Nature of Operations and Principal Activities

The principal activity of the Company during the six months financial period was mineral exploration and progressing its flagship Muga Project.

Review of Operations

Highfield Resources Limited 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 PROJECT

The Company's flagship Muga 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.

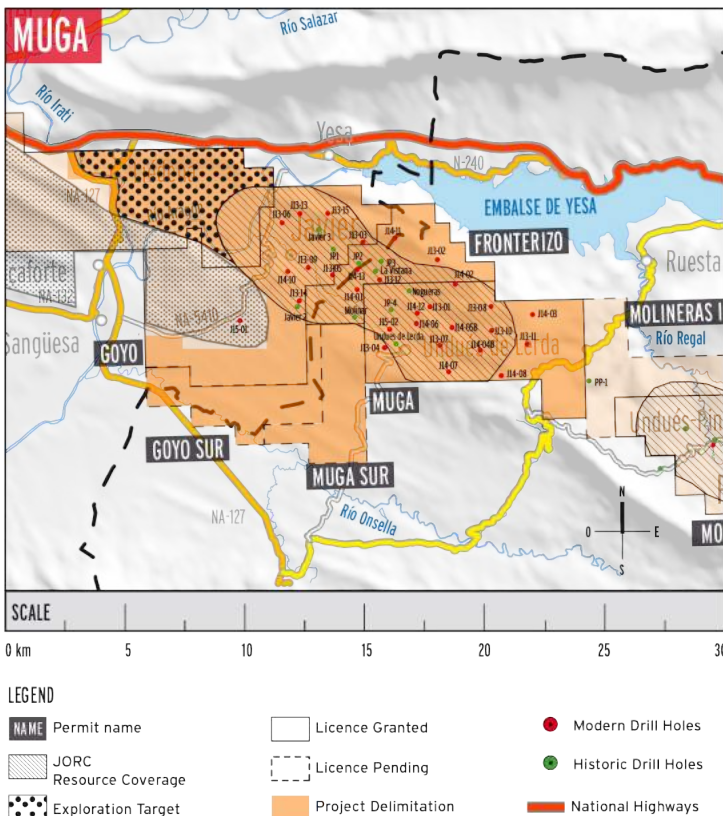


Figure 1: Map of Highfield's Muga Project

MUGA PROJECT APPROVALS PROCESS

On 12 July 2017 the Company reported that it had elected to open the Muga Project to a voluntary second period of public consultation.

On 11 September 2017 the Company reported that it had completed all the required documentation to commence the voluntary second public consultation and that the Ministerio de Energía, Turismo y Agenda Digital ("MINETAD"), which is the responsible coordinating authority, had lodged the documentation with the Government gazette on 2 September 2017. The 30 working day public review period commenced on 4 September 2017. The documents that were available for stakeholders to review included the documentation submitted to the Ministerio de Agricultura y Pesca, Alimentación y Medio Ambiente ("MAPAMA") on 28 April 2017 as well as the mine development and restoration plans.

In its Quarterly Activities Report for the quarter ended 30 September 2017 released on 19 October 2017, the Company reported that the voluntary second public consultation period had closed on 16 October 2017 and that it would work closely with the relevant authorities to address any new items that may be raised by stakeholders of the Muga Project.

The quarterly report also stated that in early October, Geoalcali had hosted an Open Doors Event at its facilities in Sangüesa, close to the location of the project. In total, approximately 200 people, including the mayors of most local town halls, took the opportunity to visit and hear about the Muga Project from members of Highfield's team in Spain.

In its presentation made to the Highfield Annual General Meeting on 30 November 2017 the Company reaffirmed that it considered itself to be in the final stage of the Declaración de Impacto Ambiental ("DIA") process, with continued close engagement with local communities which remain extremely supportive, and that in its opinion there should be no impediment to a positive DIA being issued.

It also highlighted that:

- following a positive DIA the Department of Mines can consider the award of the Mining Concession, and
- construction permits will be necessary from local town halls and from the Ebro river water management authority, Confederación Hidrográfica del Ebro (“CHE”), including permits for power connections and power lines, roads, and the plant and underground works.

In its Quarterly Activities Report for the quarter ended 31 December 2017 released on 23 January 2018, the Company reported that Highfield had responded to all comments raised during the voluntary second consultation process. Importantly, no new material issues were raised during this process and the number of comments submitted was less than in the first consultation process in 2015. In the same Quarterly Activities Report the Company reported that MINETAD had provided Highfield with all but two of the reports submitted to it by interested parties and stakeholders as part of MINETAD’s final Consultation of Affected Entities and Stakeholders, and that the Company had provided responses to all comments and items raised in those reports, which it did not consider to contain any material or significant negative matters.

In its corporate presentation of 15 February 2018 the Company provided an estimated timeline, starting from award of the DIA, of three to six months for receipt of the Mining Concession and six to twelve months for receipt of construction permits.

During March 2018 the Company confirmed that it had received copies of the two remaining reports submitted to MAPAMA by Instituto Geológico y Minero de España (“IGME”) and CHE in January and February 2018. In its Environmental Permitting Update of 21 March 2018 the Company reported that MAPAMA had completed its review of the reports received from all of the referral authorities, and had requested further clarification, within three months, on three items, namely seismicity, subsidence and salt by-product management.

The Company remains confident of receiving its DIA, Mining Concession and construction permits.

MUGA PROJECT TECHNICAL UPDATE

In its 19 October 2017 Quarterly Activities Report for the quarter ended 30 September 2017, the Company reported that it was conducting additional confirmatory metallurgical test work including a full, end-to-end, test of the process flow sheet and some additional tests to address areas which could be improved through design changes. This may lead to some optimisation of the current process flow sheet, following which the Company and Bovis will finalise the project cost and schedule review announced in Highfield’s June 2017 Quarterly Activities Report dated 18 July 2017.

In its Quarterly Activities Report for the quarter ended 31 December 2017 released on 23 January 2018, the Company reported that it had continued to work on updating the capital cost estimates from the Muga Optimisation Study, which

was released to the market in November 2015. During the December quarter, metallurgical test work continued at the Saskatchewan Research Council (“SRC”) in Canada. This test work was completed in the first quarter of 2018, as expected. As noted above, this will result in some improvements to the current process design. The impact of these is being determined and potentially may include re-sizing and changes to some equipment to improve overall recoveries and reduce operating risk. There is likely to be some cost escalation in the more than two years since the last cost estimates were published, and some further increases are likely as a result of the equipment changes and resizing, as well as increases required as a result of permitting requirements.

The December Quarterly Activities Report also announced that tendering and evaluation of the first design and construction package was complete.

REVISED MOU SIGNED WITH ACCIONA

As reported in its September Quarterly Activities Report of 19 October 2017, the Company signed a new and revised Memorandum of Understanding (“MOU”) on 2 October 2017 with Acciona Infraestructuras (“Acciona”), a well credentialed, global construction firm based in Spain with experience in complex industrial projects. Highfield and Acciona entered into a collaboration agreement in December 2015, following which they collaborated to review capital cost estimates and schedules for various parts of the Muga Project. Under the revised MOU Acciona was appointed as the preferred construction contractor for selected packages in the construction of the Muga Mine.

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 six months ended 31 December 2017, 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 PROJECT

The Vipasca Project area includes the majority of the Vipasca permit, the entire Borneau permit and half of the Osquia permit. It is located adjacent to the Muga Project and covers approximately 120km². The tenement is highly prospective for economic potash mineralisation, with a primary focus on the deeper, higher grade, P1 and P2 potash horizons.

During the quarter ended 30 September 2017, the Company completed a drill hole at Vipasca designed to test the deeper mineralisation towards the west, beyond the north west extension of the deposit. Preliminary analysis of the core indicated a steeper dip in the bedding relative to the surrounding area than had been expected. In addition, some faulting was encountered, which led the Company to believe the evaporite unit was significantly deeper than first expected. The drill hole was abandoned at 1,022 metres without crossing the evaporitic unit or the expected marker horizons above.

During the quarter ended 31 December 2017, limited additional work was carried out. Parts of Vipasca are now deemed highly unlikely to yield an economic Reserve and the Company is now in a position to focus on the identified more prospective areas. A further three holes are planned in 2018.

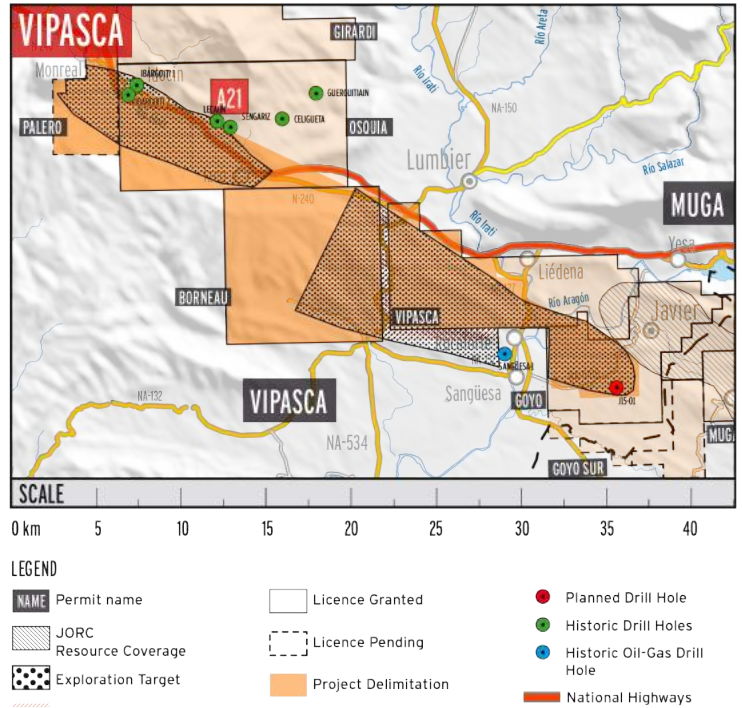


Figure 2: Map of Highfield's Vipasca Project

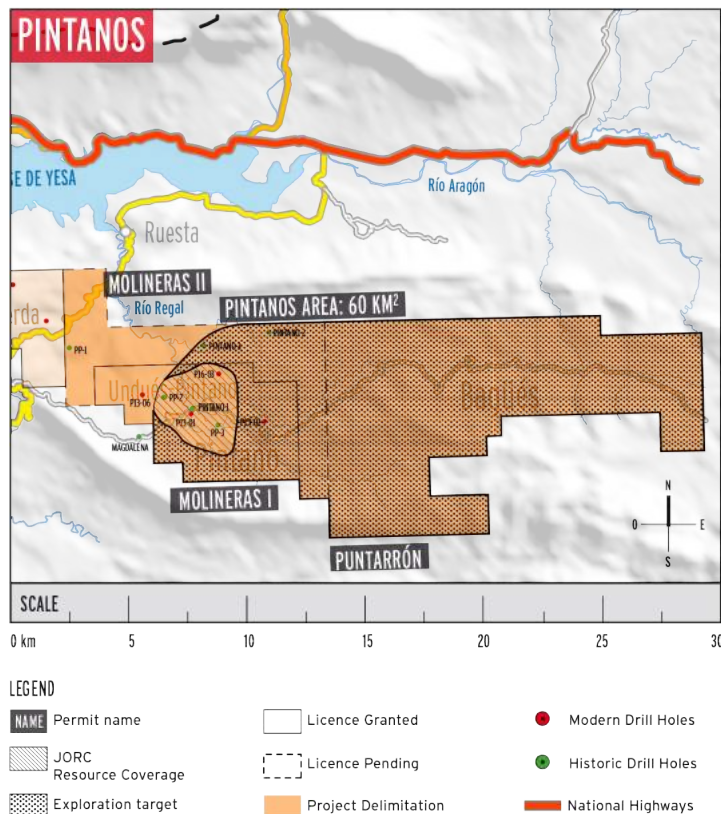


Figure 3: Map of Highfield's Pintanos Project

PINTANOS 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 seven drill holes and ten seismic profiles completed in the late 1980s.

During the six months ended 31 December 2017, limited additional work was carried out.

SIERRA DEL PERDÓN PROJECT

Highfield’s 100% owned Sierra del Perdón (“SdP”) Project is located south east of Pamplona and covers approximately 145km2. Sierra del Perdón is a brownfield project which previously hosted two potash mines operating from the 1960s until the late 1990s producing nearly 500,000 tonnes of K60 MOP per annum. The evaporite was historically mined primarily for sylvinite but also for carnallite, before the mine closure in 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.

During the quarter ended 30 September 2017, limited work was carried out at SdP. During the quarter ended 31 December 2017, an exploration drill hole was completed at SdP, the results of which are expected by the end of the March 2018 quarter.

After a number of years of exploration work, the Company has now reached the point where it will focus further work on the most prospective areas of SdP and will relinquish the less prospective part of the tenements. This is likely to occur in the next six months and a further three holes are planned on the highly prospective areas identified at SdP.

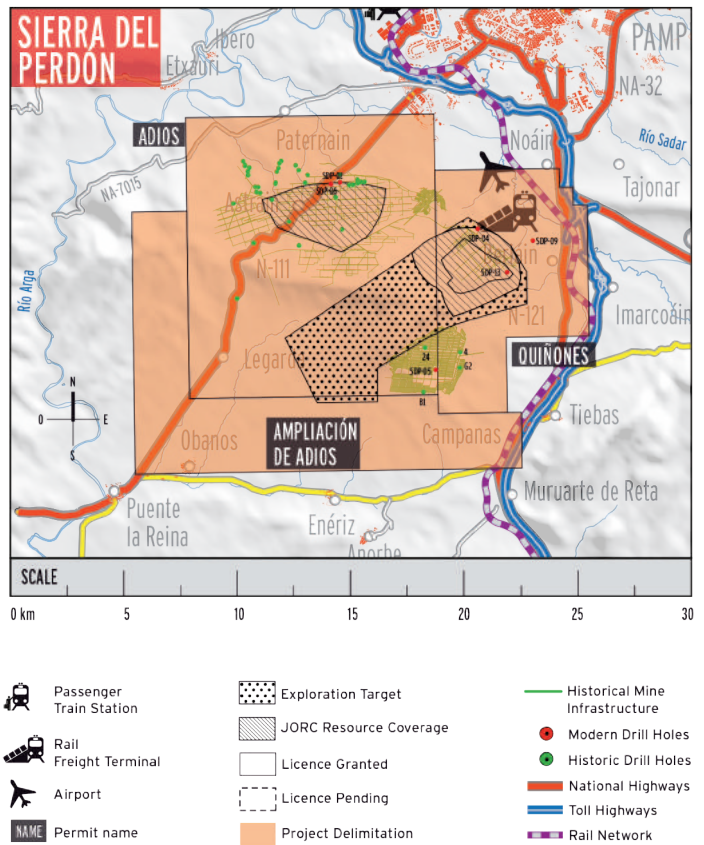
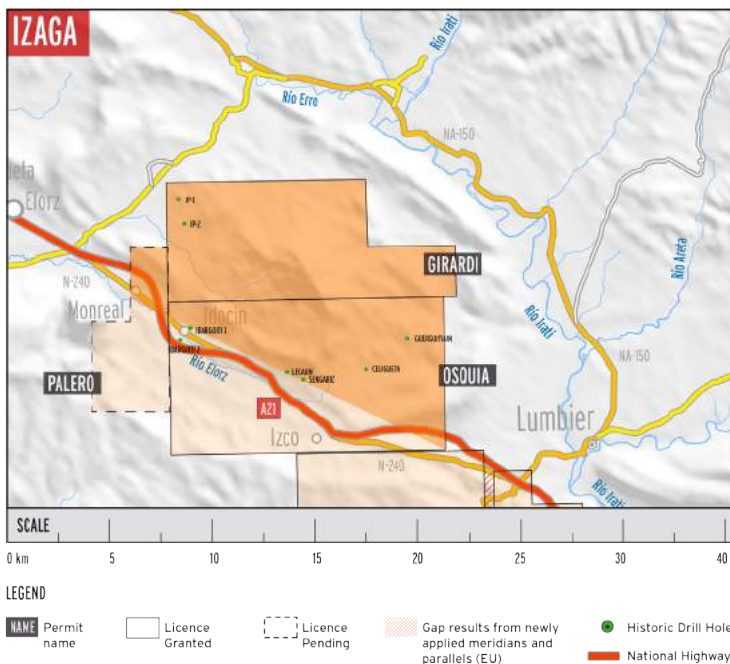


Figure 4: Map of Highfield’s Sierra del Perdón Project



IZAGA 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.

During the six months ended 31 December 2017, limited additional work was carried out.

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 programme continues to be well received. A programme 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 regions of Navarra and Aragón.

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 with town halls, social associations, foundations and scientific/agricultural organisations.

Corporate

LAPSE OF CLASS B PERFORMANCE SHARES

On 29 November 2017 the Company announced that 50,000,000 Class B Performance Shares had lapsed. 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. The Directors' assessment was that the vesting conditions had not been met and therefore that the performance shares had lapsed.

DIRECTORS

There were no changes in Directors during the six months ended 31 December 2017.



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 31 December 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 31 December 2017.

Table 1: Muga Ore Reserves Summary

	31 December 2017		30 June 2017		30 June 2016	
	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%	81.6	11.7%
Probable	172.1	11.4%	172.1	11.4%	172.1	11.4%
Total Proved & Probable	253.7	11.5%	253.7	11.5%	253.7	11.5%

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 31 December 2017. The MRE includes all Ore Reserves shown above in Table 1.

Table 2: Muga Mineral Resources Summary

	31 December 2017		30 June 2017		30 June 2016	
	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%	75.1	13.6%
Indicated	149.4	13.3%	149.4	13.3%	149.4	13.3%
Total Measured & Indicated	224.5	13.4%	224.5	13.4%	224.5	13.4%
Inferred	39.2	13.8%	39.2	13.8%	39.2	13.8%
Total	263.7	13.5%	263.7	13.5%	263.7	13.5%

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 31 December 2017.

Table 3: Sierra del Perdón Mineral Resources Summary

	31 December 2017		30 June 2017		30 June 2016	
	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	-	-	-	-	-	-
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). 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 was prepared, as summarised in Table 4 below. See further details in the ASX Additional Information section on page 98 of the Company's Annual Report for the year ended 30 June 2017. The Company considers this MRE to be accurate as at 31 December 2017.

Table 4: Pintanos Mineral Resources Summary

	31 December 2017		30 June 2017		30 June 2016	
	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	-	-	-	-	-	-
Indicated	-	-	-	-	-	-
Total Measured & Indicated	-	-	-	-	-	-
Inferred	70.7	11.9%	70.7	11.9%	187.0	11.2%
Total	70.7	11.9%	70.7	11.9%	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)

	31 December 2017		30 June 2017		30 June 2016	
	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%	81.6	11.7%
Probable	172.1	11.4%	172.1	11.4%	172.1	11.4%
Total Proved & Probable	253.7	11.5%	253.7	11.5%	253.7	11.5%

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

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

	31 December 2017		30 June 2017		30 June 2016	
	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%	75.1	13.6%
Indicated	191.2	12.7%	191.2	12.7%	191.2	12.7%
Total Measured & Indicated	266.3	13.0%	266.3	13.0%	266.3	13.0%
Inferred	150.2	12.0%	150.2	12.0%	266.5	11.5%
Total	416.5	12.6%	416.5	12.6%	532.8	12.2%



Corporate Governance – Resources and Reserve Calculations

Due to the nature, stage and size of the Company's existing operations, the Company has historically concluded that there would be insufficient efficiencies or additional governance benefits gained by establishing a separate mineral resources and ore reserves committee responsible for reviewing and monitoring the Company's processes for calculating mineral resources and ore reserves and for ensuring that the appropriate internal controls are applied to such calculations. However, the establishment of such a committee, at an appropriate time, is under consideration. In the meantime the Company continues to ensure 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 six months financial period, other than as set out in this report.

Significant Events After the Reporting Date

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

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 periods, 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 51,007,221 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
4,832,221	\$1.34	30 June 2025
1,500,000	\$1.85	30 June 2024
5,350,000	\$1.85	18 November 2024
17,175,000	\$2.00	30 June 2019
4,550,000	\$2.50	30 June 2019
51,007,221		

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 six month period:

- 4,832,221 options with an exercise price of \$1.34, expiring on 30 June 2025
- 1,500,000 options with an exercise price of \$1.85, expiring on 30 June 2024

No options were exercised or lapsed during the six months period.

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 willful acts of negligence.

The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current Directors and officers of the Company and 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

The numbers of meetings of Directors and Committees held during the six months financial period 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	5	5	4	4*	2	1
Peter Albert	5	5	4	3*	2	2*
Pauline Carr	5	5	4	4	2	2
Richard Crookes	5	5	4	4	2	2
Jim Dietz	5	5	4	4	2	1*
Owen Hegarty	5	4	4	4*	2	1*

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 by invitation

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 six months financial period.

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 a listed proposed 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 77 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 six months ended 31 December 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.

DETAILS OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Directors

Derek Carter

Non-Executive Chairman

Peter Albert

Managing Director and Chief Executive Officer

Pauline Carr

Non-Executive Director

Richard Crookes

Non-Executive Director

Jim Dietz

Non-Executive Director

Owen Hegarty

Non-Executive Director

Key Management

Mike Norris

Chief Financial Officer

All of the above were KMPs for the entire six months financial period.



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 ²	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.

² The Board has subsequently determined that with effect from 1 January 2018 the weighting of Mr. Albert's STI be changed to 100% for corporate and strategic KPIs.

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 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.

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 an annual base Board fee with additional fees for any committee positions they hold. From time to time and in accordance with the Constitution the Board may also award once off extra exertion amounts where they determine such payments are warranted.

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

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 INCENTIVES

Key Performance Indicators ("KPIs") are aligned to reflect corporate and strategic objectives. KPIs are reviewed by the Company's Remuneration and Nomination Committee and approved by the Board. The KPIs of the Managing Director and his direct reports are also reviewed by the Committee, and typically cover targets in respect of safety, permitting, finance, project delivery, investor relations and social responsibility. The KPIs of the Managing Director were cascaded down to his direct reports as appropriate to their areas of responsibility.

The KPIs for the six months financial period ended 31 December 2017 were assessed in accordance with the parameters established in early 2017 as set out in the Remuneration Policy section above. The STI for the Managing Director was based on 75% for corporate and strategic KPIs and 25% for personal KPIs. The STIs for direct reports of the Managing Director were based on a weighting of between 40% and 60% for corporate and strategic KPIs and between 60% and 40% for personal KPIs.

The Board has determined that with effect from 1 January 2018 the weighting of Mr. Albert's STI be changed from 75% for corporate and strategic KPIs and 25% for personal KPIs to 100% for corporate and strategic KPIs.

Summary Corporate and Strategic KPI Performance

For the six months ended 31 December 2017 corporate and strategic KPI performance outcomes for KMPs were assessed as follows:

KPI Category	Weighting for 2017 %	2017 Outcome %
Safety, Health, Environmental and Community	15	15
Financials	25	24
Project Progress	20	19
Approvals	40	-
Total	100	58

Short Term Incentive Award

The remuneration of the Managing Director, Peter Albert, and the Chief Financial Officer, Mike Norris, for the six months financial period included cash bonuses in respect of meeting STI KPIs agreed by the Board. The STI awards relate to the achievement of KPIs for the year ended 30 June 2017 for which the bonus cost was approved by the Board and paid during the six months ended 31 December 2017, and the achievement of KPIs for the six months ended 31 December 2017 for which the bonus cost was accrued at the end of the period and paid in February 2018. The cost of both awards is therefore included in the financial statements for the six months ended 31 December 2017.

LTI PERFORMANCE AND OUTCOMES FOR 2017

Awards granted under the Highfield Resources Limited LTI Plan consist of share options which are granted for no consideration and carry no dividend or voting rights. Following vesting and subsequent exercise of the options one ordinary share in the Company will be allocated per option.

The 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 KMP must also remain employed with the Company for a continuous period of three years from the grant date. Details of the prior awards for relevant KMP are set out in the Remuneration Report section of the Annual Report for the year they were granted, under the heading Options Affecting Remuneration.



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 six months ended 31 December 2017 are as below:

Six months ended 31 December 2017	Short term				Options	Post-employment		Total \$	Performance related %
	Base Salary \$	Fees \$	STI Awards ¹ \$	Other Benefits \$	Share- Based Payments \$	Super- annuation \$	Benefits \$		
Directors									
Derek Carter	-	48,750	-	-	-	-	-	48,750	-
Peter Albert	332,376	-	442,048	105,704 ²	268,073	-	-	1,148,201	23%
Pauline Carr	-	45,000	-	-	-	-	-	45,000	-
Richard Crookes	-	37,500	-	-	-	-	-	37,500	-
Jim Dietz	-	33,750	-	-	-	-	-	33,750	-
Owen Hegarty	-	30,000	-	-	-	-	-	30,000	-
Key Management									
Mike Norris	188,932	-	253,194	29,020 ³	117,896	-	-	589,042	20%
	521,308	195,000	695,242	134,724	385,969	-	-	1,932,243	20%

¹ The STI awards relate to the achievement of KPIs for the year ended 30 June 2017 for which the bonus cost was approved by the Board and paid during the six months ended 31 December 2017, and the achievement of KPIs for the six months ended 31 December 2017 for which the bonus cost was accrued at the end of the period. The cost of both awards is therefore included in the financial statements for the six months ended 31 December 2017.

² Benefits relate to paid private accommodation and in-country residency allowance.

³ Benefit relates to paid private accommodation.

Details of remuneration for the year ended 30 June 2017 are shown below:

Year ended 30 June 2017	Short term				Options	Post-employment		Total \$	Performance related %
	Base Salary \$	Fees \$	STI Awards ⁴ \$	Other Benefits \$	Share- Based Payments \$	Super- annuation \$	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	828,815	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.

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 as compensation during the six months ended 31 December 2017.

Six months ended 31 December 2017	Balance at the start of the period	Granted as compensation during the period	On exercise of share options	Other changes during the period	Balance at the end of the period
Directors					
Derek Carter	9,221,504	-	-	-	9,221,504
Peter Albert	78,000	-	-	-	78,000
Pauline Carr	-	-	-	30,000 ¹	30,000
Richard Crookes	-	-	-	-	-
Jim Dietz	50,000	-	-	-	50,000
Owen Hegarty	-	-	-	-	-
Key Management					
Mike Norris	-	-	-	-	-

¹ Ms. Carr purchased 30,000 fully paid ordinary shares through an indirect entity in which she has an interest. The purchase was made via an on market trade on 27 December 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:

Six months ended 31 December 2017	Balance at the start of the period	Granted as compensation during the period	Exercised during the period	Other changes during the period	Balance at the end of the period	Exercisable	Not exercisable
Directors							
Derek Carter	2,500,000	-	-	-	2,500,000	2,500,000	-
Peter Albert	3,000,000	1,820,654	-	-	4,820,654	-	4,820,654
Pauline Carr	1,000,000	-	-	-	1,000,000	1,000,000	-
Richard Crookes	-	-	-	-	-	-	-
Jim Dietz	1,000,000	-	-	-	1,000,000	1,000,000	-
Owen Hegarty	-	-	-	-	-	-	-
Key Management							
Mike Norris	2,450,000	800,703	-	-	3,250,703	2,000,000	1,250,703

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 binomial method (which is derived from the Black-Scholes option pricing model but is considered more suitable for companies which do not pay dividends) taking 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 18.

TRANSACTIONS WITH DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no transactions with key management personnel for the six months ended 31 December 2017 other than those disclosed above.

OPTIONS AFFECTING REMUNERATION

The terms and conditions of options granted during the six months ended 31 December 2017 affecting remuneration in the current or future reporting periods 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	13/12/17	1,820,654	30/06/25	\$0.147	\$1.34	\$268,073	-	-	\$268,073
Pauline Carr	-	-	-	-	-	-	-	-	-
Richard Crookes	-	-	-	-	-	-	-	-	-
Jim Dietz	-	-	-	-	-	-	-	-	-
Owen Hegarty	-	-	-	-	-	-	-	-	-
Key Management									
Mike Norris	13/12/17	800,703	30/06/25	\$0.147	\$1.34	\$117,896	-	-	\$117,896
		2,621,357				\$385,969	-		\$385,969

¹ The value at grant date has been calculated in accordance with the models and assumptions as disclosed in note 18.

KMP EMPLOYMENT ARRANGEMENTS

The remuneration arrangements for KMP are formalised in employment agreements. These agreements provide for the payment of fixed remuneration, performance related STI bonuses, other short term benefits, and participation, where eligible, in the Company's LTI Plan.

Executive Director

Mr. Albert is employed under an employment agreement which has no fixed term. The notice period is three months. Depending on the reason for a termination of his employment, Mr. Albert may be entitled to severance benefits of up to 12 months' cash remuneration (based on an average of his previous annual remuneration), or other minimum severance benefits set by Spanish law, as applicable. During the six months ended 31 December 2017 Mr. Albert's total fixed remuneration was \$332,376. The Board has determined that with effect from 1 January 2018 the weighting of Mr. Albert's STI be changed from 75% for corporate and strategic KPIs and 25% for personal KPIs to 100% for corporate and strategic KPIs. Also with effect from 1 January 2018, a CPI adjustment of 2% has been applied to Mr. Albert's annual base salary. As a result, Mr. Albert's annual base salary has increased from €426,341 per annum to €434,868 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.

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

Mr. Norris is employed under an employment agreement which has no fixed term. The notice period is three months. Depending on the reason for a termination of his employment, Mr. Norris may be entitled to a payment equal to three months of his annual salary. During the six months ended 31 December 2017 Mr. Norris's total fixed remuneration was \$188,932. With effect from 1 January 2018, a salary adjustment has been made to Mr. Norris's annual base salary, resulting in an increase from €50,000 per annum to €260,000 per annum. No other changes have been made to Mr. Norris's remuneration.

LOANS TO DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

There were no loans to Directors or other key management personnel during the six months ended 31 December 2017 (year ended 30 June 2017: nil).

VOTING AND COMMENTS MADE AT THE COMPANY'S NOVEMBER 2017 ANNUAL GENERAL MEETING

Highfield Resources Limited received more than 99.90% of "yes" votes on its remuneration report for the financial year ended 30 June 2017. The Company did not receive any specific feedback at the AGM or during the current period on its remuneration practices.

PERFORMANCE MEASURED BY LOSS PER SHARE

The table below shows the performance of the Company measured by loss per share:

	Six months ended 31 December 2017	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
Loss per share (cents)	(0.14)	(2.22)	(3.42)	(4.38)	(4.12)	(4.22)
Share price (at period end)	\$1.03	\$0.96	\$1.38	\$1.48	\$0.58	\$0.36
Share price High for the reporting period	\$1.20	\$1.49	\$2.04	\$2.08	\$0.68	\$0.36
Share price Low for the reporting period	\$0.82	\$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.

A handwritten signature in black ink, appearing to be 'P. Albert', written in a cursive style.

Peter Albert
Managing Director and Chief Executive Officer
Pamplona, Spain
23 March 2018



Financial Report



Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2017

	Note	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Continuing Operations			
Revenue - interest received		7,470	198,888
Gain on foreign exchange		1,933,428	218,151
Listing and share registry expenses		(89,762)	(118,668)
Professional and consultants' fees	3	(424,910)	(1,204,704)
Employee costs		(1,141,015)	(1,180,536)
Share-based payments expense	18	(314,606)	(2,104,245)
Travel and accommodation		(54,564)	(234,447)
Donations	23	(65,579)	(281,568)
Depreciation		(60,392)	(122,697)
Realised loss on derivative financial instrument	17(e)	-	(1,931,736)
Other expenses		(259,731)	(320,322)
Loss before income tax		(469,661)	(7,081,884)
Income tax expense	5	-	-
Net loss for the year		(469,661)	(7,081,884)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		1,898,112	718,072
Other comprehensive income for the period net of tax		1,898,112	718,072
Total comprehensive income/(loss) for the period		1,428,451	(6,363,812)
Loss per share			
Basic loss per share (cents)	6	(0.14)	(2.22)
Diluted loss per share (cents)	6	(0.14)	(2.22)

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 31 December 2017

	Note	31 December 2017 \$	30 June 2017 \$
Current Assets			
Cash and cash equivalents	7	65,576,728	69,559,873
Other receivables	8	789,292	1,272,773
Total Current Assets		66,366,020	70,832,646
Non-Current Assets			
Investments		5,525	5,360
Other receivables	8	70,899	-
Property, plant and equipment	9	154,996	203,378
Deferred exploration and evaluation expenditure	10	94,090,220	86,742,052
Total Non-Current Assets		94,321,640	86,950,790
Total Assets		160,687,660	157,783,436
Current Liabilities			
Trade and other payables	11	2,674,217	1,513,050
Total Current Liabilities		2,674,217	1,513,050
Total Liabilities		2,674,217	1,513,050
Net Assets		158,013,443	156,270,386
Equity			
Issued capital	12	172,399,841	172,399,841
Reserves	13	22,628,135	20,415,417
Accumulated losses	14	(37,014,533)	(36,544,872)
Total Equity		158,013,443	156,270,386

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

Consolidated Statement of Changes in Equity

for the six months ended 31 December 2017

Year ended 30 June 2017	Issued capital \$	Accumulated losses \$	Share-based payments reserve \$	Foreign exchange translation reserve \$	Option premium reserve \$	Total \$
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 period	-	(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
Six months ended 31 December 2017						
Balance at 1 July 2017	172,399,841	(36,544,872)	19,494,860	919,557	1,000	156,270,386
Total comprehensive income for the period						
Loss for the period	-	(469,661)	-	-	-	(469,661)
Other comprehensive income - foreign currency translation	-	-	-	1,898,112	-	1,898,112
Total comprehensive income for the period	-	(469,661)	-	1,898,112	-	1,428,451
Transactions with owners in their capacity as owners						
Share-based payment	-	-	314,606	-	-	314,606
Balance at 31 December 2017	172,399,841	(37,014,533)	19,809,466	2,817,669	1,000	158,013,443

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

Consolidated Statement of Cash Flows

for the six months ended 31 December 2017

	Note	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,634,017)	(4,761,933)
Interest received		7,740	206,720
Other receipts including GST/VAT received		383,249	776,128
Net cash used in operating activities	7	(1,243,298)	(3,779,085)
Cash flows from investing activities			
Purchase of plant and equipment		(6,608)	(50,512)
Payments for exploration and evaluation expenditure		(4,666,667)	(24,874,724)
Net cash used in investing activities		(4,673,275)	(24,925,236)
Cash flows from financing activities			
Proceeds from conversion of options		-	6,085,000
Payments for share issue costs		-	(38,966)
Net cash provided by financing activities		-	6,046,034
Net decrease in cash and cash equivalents		(5,916,573)	(22,658,287)
Cash and cash equivalents at the beginning of the period		69,559,873	93,931,744
Effect of exchange rate fluctuations on cash		1,933,428	(1,713,584)
Cash and cash equivalents at the end of the period	7	65,576,728	69,559,873

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

Notes to the Consolidated Financial Statements

for the six months ended 31 December 2017

1. CORPORATE INFORMATION

The financial report of Highfield Resources Limited (“Highfield Resources”, “Highfield” or “the Company”) for the six months ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 23 March 2018.

The Company has changed its financial year end date from 30 June to 31 December and this has necessitated the presentation of an “annual report” for the six month transitional financial period ended 31 December 2017. The comparative period disclosures are for the year ended 30 June 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 at 31 December 2017 and at 30 June 2017 in the comparative period (“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.

(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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(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, being the foreign exchange translation reserve.

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 is 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 Group'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 Group 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 period 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 periods.

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 period is the tax payable or receivable on the current period's taxable income or loss 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 period. 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 periods 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 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 period 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 periods.

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 periods 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 Group prior to the end of the period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Derivative financial instruments and hedging

The Group 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 period.

(n) Provisions

Provisions are recognised when the Group 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 Group 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 period.

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 Group 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 period 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 Long Term Incentive Plan ("ELTIP") 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 binomial method (which is derived from the Black-Scholes option pricing model but is considered more suitable for companies which do not pay dividends), taking into account the terms and conditions upon which the instruments were granted, as discussed in note 18. 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 period 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 period 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 charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

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 earnings/loss per share (refer to note 6).

(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 binomial method 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 period in which the estimate is revised if it affects only that financial period, or in the period of the revision and future periods if the revision affects both current and future periods.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

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 binomial method taking into account the terms and conditions upon which the instruments were granted and the assumptions detailed in note 18.

(t) New and amended standards adopted by the Group

No new or amended standards were adopted by the Group during the period.

(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.



31 December 2017
(6 months)
\$

30 June 2017
(12 months)
\$

3. EXPENSES

Professional and consultants' fees	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Consulting and Directors' fees	(302,622)	(973,073)
Corporate advisory fees	(39,079)	(15,329)
Legal fees	(29,680)	(124,644)
Other	(53,529)	(91,658)
	(424,910)	(1,204,704)

4. 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	30,000	38,000
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The auditor of Geocalci 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	30,036	24,334
	60,036	62,334

5. 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	(469,661)	(7,081,884)
Tax at the Australian rate of 27.5%	(129,157)	(1,947,518)
Share-based payments	86,517	578,667
Non-deductible expenses	19,166	-
Non-assessable income	(533,007)	-
Income tax benefit not brought to account	556,481	1,368,851
Income tax expense	-	-

31 December 2017
(6 months)
\$

30 June 2017
(12 months)
\$

(c) Deferred tax

The following deferred tax balances have not been brought to account:

	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Liabilities		
Total exploration and evaluation expenditure	-	-
Offset by deferred tax assets	-	-
Deferred tax liability recognised	-	-
Assets		
Losses available to offset against future taxable income	9,189,951	9,091,323
Share issue costs deductible over five years	-	-
Accrued expenses	-	-
Deferred tax assets offset against deferred tax liabilities	-	-
Net deferred tax asset not recognised	9,189,951	9,091,323

(d) Unused tax losses

Unused tax losses	33,418,005	33,059,358
Potential tax benefit not recognised at 27.5%	9,189,951	9,091,323

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;
- 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.

The balances in notes 5(c) and 5(d) for the current period include the losses available to offset against future taxable income for the Company's Spanish subsidiary as well as for the Company itself. The comparative information for the year ended 30 June 2017 has been amended to be consistent with the current period.

6. LOSS PER SHARE

Loss used in calculating basic and diluted EPS	(469,661)	(7,081,884)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share	329,225,003	319,455,861
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	329,225,003	319,455,861

There is no impact from 51,007,221 options outstanding at 31 December 2017 (30 June 2017: 44,675,000) 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 31 December 2017 and the date of completion of these financial statements.

31 December 2017
(6 months)
\$

30 June 2017
(12 months)
\$

7. CASH AND CASH EQUIVALENTS

	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Reconciliation of cash		
Cash at bank	65,576,728	69,559,873
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(469,661)	(7,081,884)
<i>Non-cash and non-operating items in operating loss after tax:</i>		
Share-based payments	314,606	2,104,245
Net (gain)/loss on foreign exchange	(1,933,428)	1,713,584
Depreciation	60,392	122,697
<i>Change in assets and liabilities</i>		
Decrease in trade and other receivables	412,299	440,888
Increase/(decrease) in trade and other payables	372,494	(1,078,615)
Net cash used in operating activities	(1,243,298)	(3,779,085)

8. OTHER RECEIVABLES

	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Current		
GST receivable	39,686	23,233
VAT receivable	80,660	466,096
Other	668,946	783,444
	789,292	1,272,773
Non-current		
Guarantees	70,899	-
	70,899	-

GST/VAT receivable and other receivables 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.

31 December 2017
(6 months)
\$

30 June 2017
(12 months)
\$

9. PROPERTY, PLANT AND EQUIPMENT

Cost	533,543	511,185
Accumulated depreciation and impairment	(378,547)	(307,807)
Net carrying amount	154,996	203,378
Movements in Plant & Equipment:		
Opening balance	203,378	326,009
Additions	6,608	50,512
Net exchange differences on translation	5,402	(50,446)
Depreciation charge for the period	(60,392)	(122,697)
Closing balance	154,996	203,378

10. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration and Evaluation phase - at cost		
Opening balance	86,742,052	63,022,168
Exploration and evaluation expenditure incurred during the period	5,455,341	23,804,905
Net exchange differences on translation	1,892,827	(85,021)
Closing balance	94,090,220	86,742,052

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

11. TRADE AND OTHER PAYABLES

Trade payables	844,665	903,595
Other payables	33,789	16,852
Accruals	1,795,763	592,603
	2,674,217	1,513,050

Trade payables, other payables and accruals 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.

31 December 2017
(6 months)
\$

30 June 2017
(12 months)
\$

12. ISSUED CAPITAL

(a) Issued and paid up capital

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

	31 December 2017 (6 months)		30 June 2017 (12 months)	
	Number of shares	\$	Number of shares	\$
Opening Balance	329,225,003	172,399,841	310,825,003	166,353,807
Shares issued upon conversion of unlisted options ¹	-	-	18,400,000	6,085,000
Transaction costs on share issue	-	-	-	(38,966)
	329,225,003	172,399,841	329,225,003	172,399,841

¹ December 2017

- No shares were issued during the six months ended 31 December 2017.

June 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.

(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 and reserves less accumulated losses amounting to a net equity of \$158,013,443 at 31 December 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 period end and not subject to any externally imposed capital requirements. Refer to note 17 for further information on the Company's financial risk management policies.

(e) Share Options

As at the date of this report there were 51,007,221 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
4,832,221	\$1.34	30 June 2025
1,500,000	\$1.85	30 June 2024
5,350,000	\$1.85	18 November 2024
17,175,000	\$2.00	30 June 2019
4,550,000	\$2.50	30 June 2019
51,007,221		

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 six month period:

- 4,832,221 options with an exercise price of \$1.34, expiring on 30 June 2025
- 1,500,000 options with an exercise price of \$1.85, expiring on 30 June 2024

No options were exercised or lapsed during the six month period.

For full details refer to note 18.

(f) Performance Shares

As at 30 June 2017 there were 50,000,000 Class B performance shares on issue. On 18 October 2017 all Class B performance shares lapsed without having met the conditions for conversion. For full details refer to note 13.

31 December 2017
(6 months)
\$

30 June 2017
(12 months)
\$

13. RESERVES

Share-based payments reserve	19,809,466	19,494,860
Foreign exchange translation reserve	2,817,669	919,557
Option premium reserve	1,000	1,000
Performance share reserve	-	-
	22,628,135	20,415,417

Movements in Reserves

Share-based payments reserve

Opening balance	19,494,860	17,390,615
Share-based payments expense	314,606	2,104,245
Closing balance	19,809,466	19,494,860

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 18 for further details of the securities issued during the six months ended 31 December 2017.

Foreign exchange translation reserve

Opening balance	919,557	201,485
Foreign exchange translation difference	1,898,112	718,072
Closing balance	2,817,669	919,557

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

Option premium reserve

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.

Performance share reserve

Opening balance	-	-
Movement in the period	-	-
Closing balance	-	-

The performance share reserve was 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 of \$11,500,000 represented 50,000,000 Class B performance shares issued at \$0.23 per share 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 to nil, based on the Directors' assessment that the Class B performance shares were unlikely to be converted. On 18 October 2017 all Class B performance shares lapsed without having met the conditions for conversion.

31 December 2017 (6 months)	30 June 2017 (12 months)
\$	\$

14. ACCUMULATED LOSSES

Movements in accumulated losses were as follows:		
Opening balance	(36,544,872)	(29,462,988)
Loss for the period	(469,661)	(7,081,884)
Closing balance	(37,014,533)	(36,544,872)

15. DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL DISCLOSURES

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 period are as follows:

Short term employee benefits	1,546,274	2,168,421
Share-based payments	385,969	767,643
Total	1,932,243	2,936,064

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.

16. RELATED PARTY DISCLOSURES

(a) Key management personnel

Please refer to note 15 "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	
		31 December 2017	30 June 2017
KCL Resources Limited	Australia	100%	100%
Geoalcali SL	Spain	100%	100%

17. 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, as well as debt financing. 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.

(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. 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 and only \$7,470 in the six months ended 31 December 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)	
	31 December 2017 (6 months)	30 June 2017 (12 months)	31 December 2017 (6 months)	30 June 2017 (12 months)
Increase 75 basis points	14,407	23,431	14,407	23,431
Decrease 75 basis points	(7,470)	(23,431)	(7,470)	(23,431)

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 31 December 2017, 99% of the Company's cash and cash equivalents were held in financial institutions with a rating from Standard & Pools of AA or above (long term). The Company had no past due or impaired debtors as at 31 December 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. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars were as follows:

	Liabilities (\$)		Assets (\$)	
	31 December 2017	30 June 2017	31 December 2017	30 June 2017
Euro	2,245,829	1,373,424	63,723,750	66,888,789
US dollars	58,315	56,583	12,733	13,059
GB pounds	12,277	7,796	-	-
Canadian dollars	170,232	-	-	-
Total	2,486,653	1,437,803	63,736,483	66,901,848

The monetary assets and liabilities in the table above for the current period include the balances of the Company's Spanish subsidiary as well as for the Company itself. The comparative information for the year ended 30 June 2017 has been amended to be consistent with the current period.

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 on the above foreign currency denominated monetary assets and liabilities, expressed in Australian dollars.

	Euro Movement	
	Increase (\$)	Decrease (\$)
31 December 2017		
Profit or loss	6,805,535	(5,568,165)
Other equity	6,805,535	(5,568,165)
30 June 2017		
Profit or loss	7,273,783	(5,951,277)
Other equity	7,273,783	(5,951,277)

(e) Fair Value

The carrying amounts of current receivables and current payables are considered to be a reasonable approximation of their fair value. The Company did not hold any financial instruments measured at fair value at 30 June 2017 or 31 December 2017. During the year ended 30 June 2017 the Company incurred a realised loss of \$1,931,736 as a result of closing a foreign exchange derivative used to hedge against the risks associated with foreign currency fluctuations.

18. SHARE-BASED PAYMENTS

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

	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Options granted during the period	119,318	1,775,100
Options granted in prior periods	195,288	329,145
	314,606	2,104,245

The Company previously operated an employee share option plan ("ESOP"). Under this plan executive officers, employees and eligible contractors of Highfield Resources Limited were granted options and could nominate a relative or associate to receive the options. On 18 November 2016, the Company's shareholders approved a new equity incentive plan known as 'Highfield Resources Limited Employee Long Term Incentive Plan' ("ELTIP") and the issue of securities under the ELTIP. Subject to the attainment of performance hurdles and vesting conditions participants in this plan may receive options. The objective of this plan is to assist in the recruitment, reward, retention and motivation of senior managers and consultants. The fair value at grant date of options granted during the period was determined using the binomial method, as described in note 2(r), taking 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 six months ended 31 December 2017:

Grant Date	Expiry date	Exercise price	Number at start of the period	Granted during the period	Exercised during the period	Lapsed during the period	Number at end of the period	Exercisable at end of the period
13/12/2017	30/06/2025	\$1.34	-	4,832,221 ¹	-	-	4,832,221	-
13/12/2017	18/11/2024	\$1.85	-	1,500,000 ²	-	-	1,500,000	-
				6,332,221		-	6,332,221	-

¹Comprises 1,820,654 and 800,703 options granted as part of the Managing Director's and the Chief Financial Officer's respective incentive based remuneration packages, and 2,210,864 other options granted under the Employee Long Term Incentive Plan. The options will vest on satisfaction of the following Vesting Conditions during the three year vesting period commencing on 1 July 2017 and ending on 30 June 2020:

(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 2017, 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 2020, 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; and
- Above index performance = vests at 3% per 1% so at 25% above index 100% vests; and

(b) Total Shareholder Return (TSR):

50% of the options will be assessed for 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 vests 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.

² Represents options granted to advisors in recognition of past and future contributions. 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 2016, 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 2019, 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; and
- 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 vests 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.

The model inputs for options granted during the six months ended 31 December 2017 included:

- options were granted for no consideration;
- expected lives of the options range from 6.9 to 7.6 years;
- share price at grant date was \$0.90;
- expected volatility was 50%;
- expected dividend yield of Nil; and
- a risk free interest rate of 2.2%.



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

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

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

The model inputs for options granted during the six months ended 31 December 2017 included:

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

19. GEOGRAPHIC SEGMENT ANALYSIS

(a) Revenue – Interest Received

	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Australia	7,470	198,888
Spain	-	-
	7,470	198,888

(b) Non-current Assets

Australia	-	-
Spain	94,321,640	86,950,790
	94,321,640	86,950,790

20. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

21. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or liabilities as at 31 December 2017 (June 2017: Nil).

22. DIVIDENDS

No dividend was paid or declared by the Company in the six months ended 31 December 2017 or the period since the end of the six months financial period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the six months ended 31 December 2017.

23. GEOALCALI FOUNDATION

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

24. COMMITMENTS

At 31 December 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 31 December 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.

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Highfield Resources Limited, at 31 December 2017 and for the six months then ended. The information presented here has been prepared using consistent accounting policies with those presented in note 2.

	31 December 2017 \$	30 June 2017 \$
Current assets	65,018,756	69,083,472
Total assets	157,587,556	156,302,756
Current liabilities	(311,507)	(75,247)
Total liabilities	(311,507)	(75,247)
Net assets	157,276,049	156,227,509
Issued capital	172,399,841	172,399,841
Reserves	19,810,466	19,495,860
Accumulated losses	(34,934,258)	(35,668,192)
Total Equity	157,276,049	156,227,509
	31 December 2017 (6 months) \$	30 June 2017 (12 months) \$
Profit/(loss) of the parent entity	733,934	(6,313,792)
Other comprehensive income for the period	-	-
Total comprehensive income/(loss) of the parent entity	733,934	(6,313,792)

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 six months ended 31 December 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 31 December 2017 and of its performance for the period 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 six months ended 31 December 2017.

On behalf of the Board

Peter Albert
Managing Director and Chief Executive Officer



Pamplona, Spain

23 March 2018



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 period ended 31 December 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.

Perth, Western Australia
23 March 2018

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

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 31 December 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 period 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 31 December 2017 and of its financial performance for the period 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>Carrying amount of deferred exploration and evaluation expenditure Note 10 of the financial report</p> <p>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>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>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> ▪ We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; ▪ We considered the Directors' assessment of potential indicators of impairment; ▪ We obtained evidence that the Group has current rights to tenure of its areas of interest; ▪ We examined the exploration budget for the year ending 31 December 2018 and discussed with management the nature of planned ongoing activities; ▪ 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; ▪ We substantiated a sample of expenditure incurred to supporting documentation; and ▪ We examined the disclosures made in the financial report.
<p>Share based payments Note 18 of the financial report</p> <p>The Group has entered into various share-based payment arrangements with both key management personnel and external parties, in the form of options.</p> <p>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>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> ▪ 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 ▪ 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 period ended 31 December 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 period ended 31 December 2017.

In our opinion, the remuneration report of Highfield Resources Limited for the period ended 31 December 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
23 March 2018



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 14 March 2018.

DISTRIBUTION OF SHARE HOLDERS

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	209	104,788
1,001 - 5,000	422	1,338,751
5,001 - 10,000	349	2,842,054
10,001 - 100,000	865	29,703,885
100,001- and over	212	295,235,525
TOTAL	2,057	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	136,688,552	41.52
MR. WARREN WILLIAM BROWN + MRS. MARILYN HELENA BROWN	15,921,550	4.84
WWB INVESTMENTS PTY LTD	11,850,000	3.60
W W B INVESTMENTS PTY LTD	7,728,450	2.35
DEREK CARTER + CARLSA CARTER <THE SALAMANCA SUPER FUND>	7,721,504	2.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,119,202	2.16
BRING ON RETIREMENT LTD	5,826,397	1.77
BNP PARIBAS NOMS PTY LTD	4,119,558	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
CITICORP NOMINEES PTY LIMITED	2,926,606	0.89
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>	2,250,000	0.68
WOOTOONA INVESTMENTS PTY LIMITED	2,150,538	0.65
DORICA NOMINEES PTY LTD <SUPER FUND A/C>	2,150,000	0.65
KANBAH PTY LTD <KANBAH SUPER FUND A/C>	1,900,000	0.58
PETER DAVID FERGUSON PTY LTD <PD FERGUSON S/F A/C>	1,855,000	0.56
HGT INVESTMENTS PTY LTD	1,750,000	0.53
	228,136,535	69.30

SUBSTANTIAL SHAREHOLDERS

The following table shows holdings of five per cent or more of voting rights in Highfield Resources Limited's shares as notified to the Company under the Australian Corporations Act 2001, Section 671B as at 14 March 2018.

Title of class	Registered holder of securities	Identity of person or group	Date of last notice	Number owned	Percentage of total voting rights ²
Ordinary Shares	JP Morgan Nominees Australia Limited	EMR Capital Investment (No. 2) Pte Ltd ¹	15/05/2015	104,038,875	31.60%
Ordinary Shares	JP Morgan Nominees Australia Limited	AustralianSuper Pty Ltd ¹	28/07/2017	16,524,841	5.02%
Ordinary Shares	Various holders	W W B Investments Pty Ltd ¹	08/11/2017	35,500,000	10.79%

¹Being the group listed and its associated entities

²The percentages quoted are based on the total voting rights conferred by ordinary shares in the Company as at 14 March 2018 of 329,225,003

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 800,000 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
Options over ordinary shares exercisable at \$2.00 on or before 30 June 2019	17,175,000	JAWAF Enterprises Pty Ltd <Hall Family Trust Account> 4,000,000 options
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	5,350,000	Sonedala Albert 2,000,000 Options
Options over ordinary shares exercisable at \$1.34 on or before 30 June 2025	4,832,221	Sonedala Albert 1,420,654 Options
Options over ordinary share exercisable at \$1.85 on or before 30 June 2024	1,500,000	Isaac Querub 1,000,000 Options Sixto Jimenez 500,000 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 six months ended 31 December 2017.



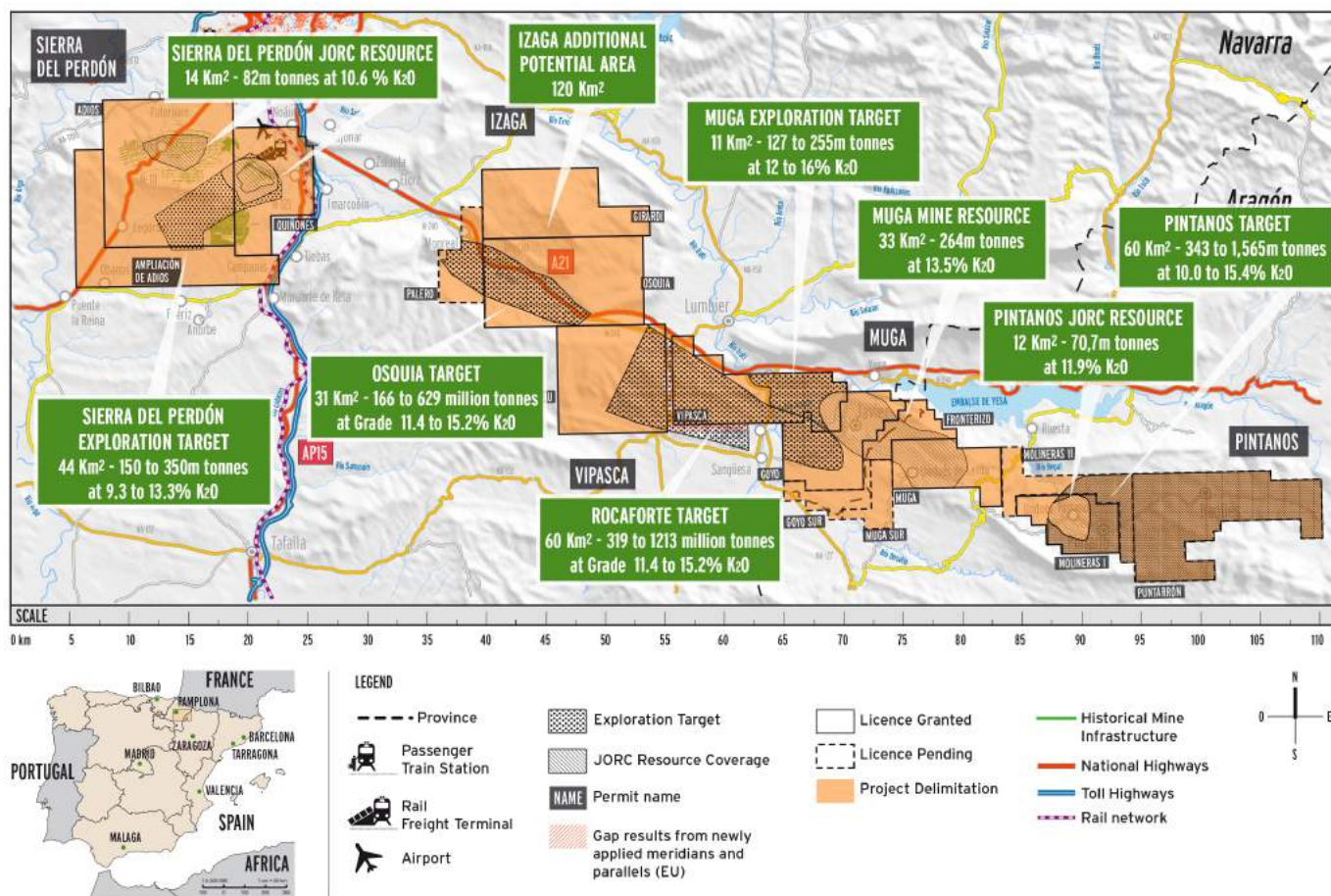
SCHEDULE OF TENEMENTS

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

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.

