



Highfield 
Resources

Annual Report

31 December 2018

highfieldresources.com.au

ABN 51 153 918 257



CONTENTS

	Page
Corporate Directory	1
Chairman's Letter	2
Chief Executive Officer's Letter	3
Sustainability Report	4
Directors' Report	32
Financial Report	68
Consolidated Statement of Profit or Loss and Other Comprehensive Income	70
Consolidated Statement of Financial Position	71
Consolidated Statement of Changes in Equity	72
Consolidated Statement of Cash Flows	73
Notes to the Consolidated Financial Statements	74
Directors' Declaration	95
Auditor's Independence Declaration	96
Independent Auditor's Report	97
ASX Additional Information	102



CORPORATE DIRECTORY

Directors

Mr. Derek Carter (Independent Non-Executive Chairman)
Mr. Peter Albert (Managing Director & CEO)
Ms. Pauline Carr (Independent Non-Executive Director)
Mr. Richard Crookes (Non-Executive Director)
Mr. Roger Davey (Independent Non-Executive Director)
Mr. Jim Dietz (Independent Non-Executive Director)
Mr. Owen Hegarty (Non-Executive Director)
Mr. Brian Jamieson (Non-Executive Director)
Mr. Isaac Querub (Independent Non-Executive Director)

Company Secretary

Mr. Donald Stephens

Registered Office & Principal Place of Business

169 Fullarton Road
DULWICH, SA 5065

Telephone: +61 8 8133 5000
Facsimile: +61 8 8431 3502
Website: highfieldresources.com.au

Share Registry

Advanced Share Registry Pty Ltd
110 Stirling Highway
NEDLANDS, WA 6009

Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

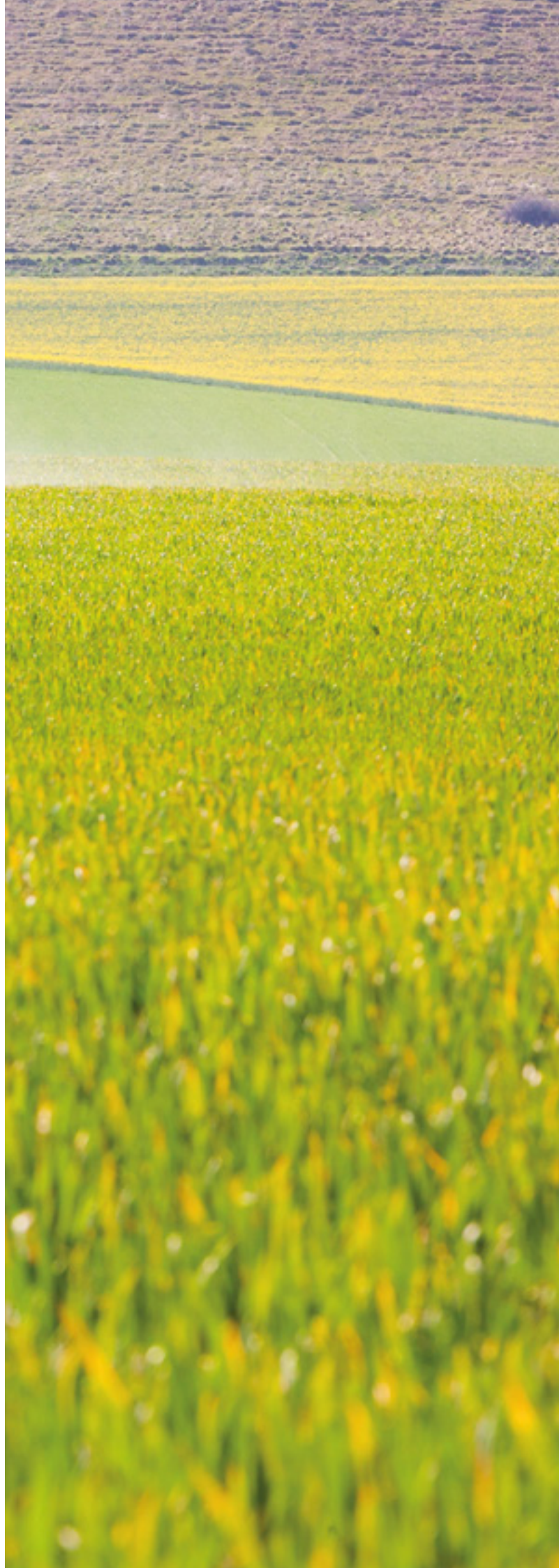
Auditor

Pricewaterhouse Coopers
Level 11/70 Franklin Street
ADELAIDE, SA 5000

Telephone: +61 8 8218 7000
Facsimile: +61 8 8218 7999

Stock Exchange

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





CHAIRMAN'S LETTER

Dear Shareholders

As you would be aware, 2018 was a year that continued to deliver a few surprises for the Company. The requirement in March 2018 that the Company provide another layer of detail to its already comprehensive reports on seismicity, subsidence and salt by-product management was something we hadn't anticipated and has effectively added one year to the overall permitting process. We are confident that the quantity and quality of the work will assist us in the subsequent approvals that are required after the environmental permit. Certainly, the government authorities in Navarra, Aragon and Madrid have all responded positively to the work that has been carried out to meet the additional requirements. The team in Pamplona has responded admirably to the Government requests, working with good grace while maintaining the focus and commitment necessary to secure the environmental permit as soon as possible.

Other activities have re-confirmed the competitive attractiveness of the Muga mine, with independent third-party reviews delivering additional confidence as well as a new Ore Reserves statement which tested all aspects of the project model. These studies have reinforced the Board's commitment to deliver the project for the benefit of all stakeholders.

Potash prices in 2018 have continued to strengthen, slightly better than we had predicted with prices typically US\$35 per tonne better than in 2017 and now about US\$45 per tonne above the 2016 lows. Most forecasters are predicting a gradual increase in demand of 2% to 2.5% pa in the longer term – which continues to bode well for Highfield.

At the AGM in May 2018 I signaled my intention to step down from the Board of Highfield and in keeping with this undertaking I will not be seeking re-election at the forthcoming AGM in May 2019. In addition, Owen Hegarty has also indicated that he will not seek re-election as a Director and will retire from the Board at the conclusion of the AGM. The Board will continue to have a robust and appropriate mix of expertise and experience to progress the project.

I would like to thank all of our shareholders for their continued support. I also wish to thank my fellow Board members, the management team and all of our employees for their efforts during the year, efforts I am convinced will deliver the positive result we are all looking for.

Derek Carter

28 March 2019

CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders

2018 has been another challenging but also fruitful year for the Company. Almost one year ago the authorities in Madrid, as part of the environmental permitting process, required that the company provide more detail and clarification around the areas of seismicity, subsidence and salt by-product management. This information was required to be provided within three months and the Company provided more than 20 additional reports in response. In late July the Madrid authority requested 14 other government bodies to provide commentary and feedback on the Company submission. By the end of December 2018 all responses had been provided and all, excepting two unsolicited submissions from local anti-development groups, are positive and supportive. In the early part of 2019, the Company and our advisors have been in continuous dialogue with the Madrid environmental authority and whilst we cannot provide any firm commitment or a firm date, we remain very confident of a positive outcome in the near future.

Whilst the permitting process has been our main focus during the year, there have also been a number of significant achievements including a new Mineral Resources Statement, a new Ore Reserves Statement, a Muga Project Update and a refreshed Acciona Memorandum of Understanding. Effectively the team in Pamplona has re-stated the Project and we only await the issuance of a positive environmental approval from the Madrid Environmental Ministry before we can commence with the next stage of Muga's development. The next stage will of course be securing the mining concession and the construction permits in parallel with completing the detailed engineering, ordering equipment, signing construction contracts and generally preparing for construction commencement activities. The team is very confident about the work done to date and is already liaising with the authorities to ensure all of our "ducks are lined up" for these next steps before construction.

The team at our offices in Pamplona is a little smaller than it was two years ago and we are focused on delivering the outcome desired by all stakeholders. As I have expressed before, I believe that the cultural importance we attach to our core values of Commitment, Respect, Excellence and Attitude will underpin the long-term sustainability and success of our business. Certainly, our communication and interaction with the



local communities and local government officers has resulted in an unprecedented level of support for the development of the Muga Mine.

During 2018 we have undertaken a critical review of our other tenements to identify those areas most likely to yield potash resources and as a consequence, we have relinquished some areas. This will enable us to focus all of our exploration resources on the key target areas of Vipasca, Sierra del Perdón and Pintanos – all of which have good potash potential.

Almost inevitably, 2019 will be a pivotal year for the Company. We remain confident that a negative environmental permit outcome is highly unlikely, whereas the positive outcome we expect in the near term will set us on the path of the development timetable for which we have been planning.

I would like to thank the Board for its support, our shareholders, my management team for their continued enthusiasm, professionalism and drive, and the local communities and governments for their commitment and support as we reach the final steps in the environmental permitting process.

Peter Albert

28 March 2019

SUSTAINABILITY REPORT

About this section

CEO letter

Living Sustainably

Prioritizing targets, contributing to
sustainable goals

Sustainable Performance Overview



About this section

This section sets out the highlights of our fourth sustainability report which comprises all sustainable activities by Highfield Resources Limited (the "Company" or "Highfield") and its Spanish subsidiary Geocalci SLU ("Geocalci"), together "the Group". As a result of changing our reporting period end from June to December, effective 31 December 2017, the Group's annual reports and sustainability reports are now aligned on a calendar year 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 decided that its GRI Sustainability Report 2018, our fourth in total but the first following the change in year end, would instead cover the 18 months period 1 July 2017 to 31 December 2018 (for simplicity "the year").

In addition to creating greater transparency in our company performance, this year we have integrated Sustainability Development Goals ("SDG") into our corporate reporting by using the Business Reporting on SDGs guideline developed by GRI and United Nations Global Compact.

The purpose of this section is to outline the most relevant events that are included in the standalone Sustainability Report 2018. This year's sustainability report explains how we approach our obligations to operate in a sustainable manner, and how we plan ahead to ensure our future performance will meet high standards of environmental, social and governance "ESG" management in the communities in which we operate. For this fourth report, the Group has subscribed to the GRI Standards reporting recommendations. GRI is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. With regards to this report, the Company has also included the SDG of the United Nations into our corporate reporting. SDG are becoming increasingly important,

as they are an articulation of the world's most pressing environmental, social and economic issues and, as such, act as a definitive list of the material ESG perspectives for the business world. Investors are becoming increasingly focused on companies' commitments to SDG. These two guidelines are the most widely adopted frameworks and contribute to the Company's commitment to transparency and accountability.

It is fundamental for us that we conduct our activities in a sustainable and responsible manner. Sustainability reports are an indispensable tool to communicate sustainability objectives established by the Group, offering an opportunity to our stakeholders to review the Group's performance and to contact us with suggestions or comments on the content in the report.

The report has been divided into four main sections: Our Business, Our Environment, Our People, and Our Community, because that is how the Group articulates its Sustainability Framework, which aims to:

- Articulate our corporate vision, values and corporate governance that guide us in our operations;
- Listen to feedback from the different groups within our local communities that may be affected by our operations;
- Set appropriate objectives to address the key topics arising;
- Communicate what we do; and
- Measure and report our performance.

Each of these sections provides information on our sustainability activities during the year. For further information visit:

<https://www.highfieldresources.com.au/sustainability-reports/>

CEO letter

I am pleased to present our fourth Sustainability Report.

Population growth of more than 80 million people per annum means that our planet is facing an ever increasing sustainability challenge. With the right policies, the necessary strategic collaborations and an incorporation of circular economy models into our business plans, the industrial minerals sector can contribute meaningfully to complying with the United Nations 2050 vision of reducing emissions while widening access to resources to help feed the world, thus achieving a sustainable future for the survival of our planet. It is therefore important that companies and governments work together to establish European policies that facilitate businesses access to these resources, especially if we take into account that globalization and increased competition in the raw material markets is constantly increasing.

The Company's projects are located in the provinces of Navarra and Aragon in Spain. These projects aim to produce potash, an industrial mineral that is used in fertilisers. The responsible use of fertilisers is key to meeting the challenge of global nutrition. The production of food for humans is one of the key challenges faced by the world today and is the United Nations Sustainable Development Goal number 2. The agricultural and livestock production to feed the 7.6 billion people currently on the planet already occupies 43% of all land (excluding deserts and frozen regions). This percentage would have to increase in order to feed the 2050 forecast of 9.8 billion people. But a commensurate increase in land area space would leave little room for biodiversity. A large study (Nature Sustainability by the scientific publisher Springer Nature Group) concluded that more productive use of existing arable land is the only logical answer to this dilemma and fertilisers will play a key role.

Innovation and new technological solutions will be crucial for the sustainable development of our planet. Minerals production and the use of minerals in all aspects of our daily lives such as mobile phones, cars, planes, trains, housing materials, roads, chemicals, pharmaceutical drugs, are essential to the lifestyle we have become used to. A less well understood application of minerals is in the production of agricultural products to feed 7.6 billion people every single day. The importance of fertilisers and other minerals to assist in greater production of food sources from the world's limited land area will be essential to the sustainability of our species. Highfield Resources and our Spanish company Geocalci believe we have a responsible role to play in the production of potash to assist in the sustainability goals that we will all have to meet. As an example, during November 2018, in collaboration with the Instituto Geológico y Minero de España ("IGME") and Magnesitas Navarras, a local minerals producer, we launched an exhibition, Essential Minerals for a Sustainable Future at the Pamplona Planetarium, with the aim of contributing to the understanding of a sector that has the lowest level of public acceptance in the EU compared to other economic activities. We are aware that it is fundamental to act responsibly



in the extraction of these minerals and we are also aware of the importance of involving new generations by supporting quality education. We all have the task of building a sustainable future for our families, our communities and our world.

During 2018, the Company achieved several important milestones in our vision to "build a successful, sustainable, potash business with respect for stakeholders and the environment". These milestones include the completion and optimisation of our mine design, preliminary plant design and engineering optimisation work, an update of our Minerals Resources Statement for Muga, as well as an update of our Ore Reserves Statement for Muga, and a Project Update which restated capital and operating costs and reaffirmed the future Muga Mine as a long term development opportunity which will provide multiple benefits to its many stakeholders. We are pleased to confirm the results of all of this



continue to uphold our core values of CREA (Commitment, Respect, Excellence and Attitude) in our everyday activities.

It is our desire to serve as a best practice example in the Spanish mining industry. As a result of our vision of developing a sustainable business, we have worked towards adopting policies to strengthen our accountability and commitment to best practices. We have developed many features to achieve a minimal environmental impact, for example a restoration plan designed to progressively rehabilitate the project site during and after mine operations, salt by-product sales and/or residue placed underground and zero salt on surface shortly after the end of planned mine operations, construction of visual barriers around the project site, water management facilities to achieve zero water release from site, and much more. The mining industry in the EU will need to comply with high environmental and social standards and at Geoalcali, we are committed to those requirements and plan to go further in our transformation for sustainability in the future.

Peter Albert

CEO Geoalcali and Highfield Resources

technical and cost work positions Muga as one of the world's highest margin potash mines.

During the year we have continued our efforts to obtain the environmental permit that will allow the Company to apply for the necessary permits to build our first mine, Muga. To achieve our plans, we have continued to actively engage with all stakeholders in a transparent and open manner, including the local communities, our employees, the provincial and central Governments, local NGOs and investors. Geoalcali, our Spanish subsidiary, has been recognised in various forums as an example of best practice in community engagement for our Public Participation Plan and communication activities which have included open doors events, information events and suggestion boxes in the communities. We are committed to maintaining an open dialogue with our stakeholders throughout the life span of the project and will

Living Sustainably

Geocalci and Highfield are focused on operating in a responsible and sustainable manner, minimising any environmental impact, optimising energy efficiency and using resources appropriately. The Group also acknowledges the importance of appropriately managing the risks which derive from mining activities in order to ensure a high standard of outcomes for local communities and other stakeholders.

Accordingly, our goal is to ensure that the Group's activities not only comply with current legislation, but are also aligned with external international guidelines such as the Aarhus Convention, the UN's Global Compact, the Rio de Janeiro Earth Summit, IFC Performance Standards and the Equator Principles.

The participation of stakeholders through our development process is critical to ensuring that the concerns of residents are addressed as part of the Group's decision making process. A good governance system is also essential to ensure appropriate commitment to ethical criteria regarding environmental and social management.



CORPORATE VISION AND VALUES

“To build a successful and sustainable potash business with respect for stakeholders and the environment.”

This vision is then supported by our four core values: CREA

Commitment

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

Respect

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

Excellence

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

Attitude

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



Compromiso Respeto Excelencia Actitud

CREA

Commitment Respect Excellence Attitude



THE FRAMEWORK

The Group understands that sustainability needs to be embedded in the culture and in the daily processes. But first, it is fundamental to understand the impact of the business to be able to address every aspect that is key for a successful outcome. The Company has always actively listened to all of its stakeholders whilst developing plans to take into account the interests of the people and the best environmental outcomes around the Muga Mine.

In the graphic below, the Group's vision and core values form the center of our sustainable framework. We have defined as our four main areas: Our Business, Our Environment, Our People and Our Community – these combined, drive our sustainability activities.





Prioritizing targets, contributing to sustainable goals

In our previous report, the Company carried out a materiality assessment based on the participation of all stakeholders. The same exercise this year confirmed the same ten material topics as relevant to our business. These ten topics are described below and each of these fits within one of our key subjects under the Company's Sustainability Framework as described above, ie. **Our Business**, **Our People**, **Our Environment** and **Our Community**.



Receipt of necessary permits

The Company continues to centre its efforts on the permitting process, to obtain a positive environmental permit. After this, the Company will work to obtain the necessary construction and industrial activity permits.



Anti-Corruption Measures

Business ethics, and the measures necessary to maintain high standards in this respect, are key factors in ensuring the Company operates in accordance with its values.



Wealth Creation

It is anticipated that the Muga Mine will generate wealth for several decades. This topic is relevant to all stakeholders and is of special relevance to the creation of stable employment and the indirect job positions that the project will create.



Ensure employee Health and Safety

For the Group, safety will always be a prime priority. The Company has a firm commitment to establishing a strong Health and Safety culture.



Creation of Quality Employment

It is estimated that the Muga Mine, at full capacity, will generate approximately 800 jobs in multiple disciplines including operators, administration, technicians and logistic positions. The mine will also generate many indirect jobs in the surrounding towns and communities.





Water Management

Proper water management underpins profitability as well as safeguarding the community and the environment. Since the project inception, Geocalci has included plans for an integrated water management system to ensure proper use of water resources.



Waste Management

With regards to environmental management, the Company is committed to delivering high quality environmental results. As a result of this commitment, backfilling has been incorporated to minimise surface waste. Backfilling is recognised as one of the most effective means for waste management by the Spanish Government’s Waste Management Framework Plan of 2015. By selling salt as our by-product, the Company will also develop a circular economy based sustainable business.



Restoration of the Area

Throughout the mine life, management will plan appropriate mine closure activities to achieve an optimal closure scenario at the end of the mine life. This commitment is included within the Environmental Impact Study and will be implemented from the first day of mine construction.



Prioritise Health and Safety in the Community

The Health and Safety of the community is another priority for the development of the mine. It is also an aspect of prime interest for the residents of the area which requires Geocalci’s commitment in the industrial and mine design. The facilities of the mine will be constructed under strict environmental requirements to avoid air and water contamination.



Community Involvement

The Group is committed to transparency, communication and participation with the local communities and confirms its desire to be a good corporate citizen. It participates through the Geocalci Foundation in various initiatives to build a strong engagement with the community and also undertakes communication activities to enhance relationships with local stakeholders.

REPORTING IMPROVEMENT

For this fourth Sustainability Report, the Company has also included an alignment to SDG by conducting an SDG targets prioritization exercise. This activity was undertaken with the input from all departments in an exercise to identify negative impacts of the Company's current and future performance as well as identifying those SDG in which the Company can contribute positively.



STRATEGIC VALUES

To secure all necessary funding for the first phase of the Muga Project and have plans and commitments in place for the implementation of the second phase

To comply fully with all pertinent legislation

To develop plans and objectives for the potential of implementation of future projects within the Group's current investment-holding

To become the Employer of choice within our sector and environment

To return value to our shareholders

To secure all necessary environmental, construction and operating permits

STRATEGIC OPERATIONAL OBJECTIVES

To build and to successfully operate the first phase of the Muga Mine (0.5 Mtpa MOP)



To develop the plans and financing for the second stage of the Muga Mine (to 1 Mtpa MOP)



To build, operate and to maintain a high level of workplace health and safety



To conduct our business with regard to all environmental regulations and best practice



To work diligently with the various communities close to the mine to optimise and thereby secure support for our project



To work with the various government departments in a transparent and engaging manner to secure their trust and enable them to supervise our activities appropriately

Material topics

- 1 Receipt of necessary Permits
- 2 Ensure employee Health and Safety
- 3 Anti-Corruption Measures
- 4 Wealth Creation
- 5 Prioritise Health and Safety in the Community
- 6 Water Management
- 7 Generation of Quality Employment
- 8 Waste Management
- 9 Restoration of the Area
- 10 Community Involvement

Sustainable Performance Overview

OUR BUSINESS

Responsible Management is a determinant for a sustainable journey

The Directors of Highfield Resources Limited and its subsidiaries are committed to achieving and demonstrating robust corporate governance practices which are appropriate to our size and stage of development and which facilitate the long term performance and sustainability of the Company as well as protecting and enhancing the interests of our shareholders. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board, with the assistance of its Committees, regularly reviews its governance practices to ensure they remain consistent with the needs of the Group. In addition, the Group monitors developments in governance market practice, expectations and regulations.

Developing a sustainable potash business in Spain

During the past year the Company has achieved many milestones with advances made in both permitting and project engineering for our flagship Muga Mine. Milestones include:

- Completion of metallurgical test work and process plant design;
- Continued exploration work on our Vipasca and Sierra del Perdón tenements;
- An updated Mineral Resources Statement;
- A Muga Project Update including revised capital costs, operating costs and estimated financial outcomes;
- An updated Memorandum of Understanding with Acciona, one of Spain's largest construction contractors;
- Award of a number of detailed design and construction packages;
- An updated Ore Reserves Statement; and,
- Submission of additional detailed documentation to the Ministerio para la Transición Ecológica ("MITECO"), the national environment ministry, on subsidence, seismicity and salt by-product management.

All of this work ensures that the Company will be prepared for the next steps in the Muga Project development once the environmental permit, or Declaración de Impacto Ambiental ("DIA"), is approved.

In 2018 potash prices continued their recovery from the lows of 2016, with prices approximately US\$35 per tonne better than in 2017. Most forecasters are predicting long term annual price increases of 2% to 2.5%, which bodes well for the Company's longer term outlook. The Company remains committed to building a business which can profitably operate in any market environment.



In our everyday activities

In our everyday activities, safety always comes first. Therefore, we have included several procedures in our daily actions to build a strong safety culture.

Additionally, we have a core focus on minimising environmental risks and always look to ensure the best environmental outcomes, following legal requirements, local, regional and international standards and guidelines.

The Group also believes that open and transparent communication with all stakeholders is fundamental to achieving a sustainable business outcome. Maintaining an active role through listening and taking into account the needs and expectations of all stakeholders will help the Company build a project that respects the environment and local communities. The Group is also committed to accountability and by incorporating SDG in its sustainability assessments has enhanced its efforts in reporting to its stakeholders.

Muga Mine will generate economic growth and social development by creating quality long term employment with a preference for local employees and suppliers. It will be a significant employer in the region. Moreover, contributing to social initiatives through the Geocali Foundation strengthens relationships with the local community.

All of these activities help build our intention of becoming and being recognized as a good corporate citizen. The leadership team is committed to building a sustainable project, locally and globally, and to ensuring that everyone within the Geocali and Highfield team shares the same commitment.

The Group has continued to reinforce these objectives by:

Upholding our Code of Business Ethics and Conduct ("Code")

The Company is aware that in every day operations decisions are taken by individuals or groups. Therefore, it is crucial to communicate and establish a clear definition of the Company's values and culture so that all staff members act within the expected ethical behaviour standard. The Code ensures that the correct policies and procedures are in place to support the Group's corporate governance. During this year, the Company has revised its Code, in both English and Spanish, to ensure it remains clear and up to date.



Promoting transparency and participation within our Local Community

Since its inception, the Company has been committed to transparency through open and continuous communication with the local communities. A variety of talks, presentations and interactive events have been undertaken by the Company and this is an ongoing activity that will be maintained and enhanced throughout all stages of the project.

Continued support of social initiatives through our Geocali Foundation

The Geocali Foundation continues supporting different initiatives that aim to contribute to a better future by assisting the improvement of social well-being in the neighbouring communities. These initiatives are based on the Foundation's four pillars and also contribute to the UN's SDG:



Social
Integration

Sustainable
Communities

Quality
Education

Commitment
to the
Environment

Participation in local, national and international CSR programmes

As part of its commitment to the regional programmes of Social Responsibility Management, Geoalcali participates in the Navarra Government's InnovaRSE programme, and has earned the Reconcilia certificate in recognition of its efforts in this field. In Aragon, Geoalcali is a member of the CSR programme, RSA. This year, Geoalcali also joined the community #PorelClima, a national initiative of Ecodes, which is recognised as a best practice example as defined by the United Nations Global Compact SDG Action Guide for Companies. Being part of the #PorelClima Community requires committing to several initiatives designed to fight global warming.

In 2017 the Company also participated in the Solidarity Challenge, an initiative in which Navarra based companies participate in physical activity programmes which in turn result in donations to local associations. On a kilometer per person basis, Geoalcali achieved first place as compared to other participating companies.

Following international guidelines and norms

Part of the Company's commitment to achieving a sustainable outcome is the Implementation of an Integrated Management System that includes Quality, Environment and Health and Safety. The following standards have been adopted by the Company:

- ISO 9001 Quality Management
- ISO 14001 Environmental Management
- UNE 22480 Sustainable Mining Management
- OHSAS 18001 Health and Safety Management

Also, incorporated into the Company's Management Systems is the ISO 26000 standard for Corporate Responsibility as well as alignment to other key international programmes and guidelines, eg. GRI Standards, IFC standards and the Equator Principles. The ISO 26000 standard is today one of the most prestigious and globally recognised standards. It covers the bases and recommendations needed to help organisations implement a socially responsible way of operating in order to achieve, maintain and protect its "social licence" and to achieve acceptance of the Company and its projects within the local communities.



Reconcilia Certificate Award Ceremony

Actively participating in several forums

International Fertilizer Association (IFA) - World Technical Symposium

The IFA biennial technical symposium was held in Madrid on 12 April 2018. Around 150 producers, business leaders and managers from more than 100 countries participated in this event. Highfield's CEO, Peter Albert, was one of the speakers invited to present the Company's Muga Project.

XIV International Energy and Mineral Resources Conference

The XIV International Energy and Mineral Resources Conference took place in Sevilla in April 2018. The conference comprised four days of analysis, discussions, and exchange of information related to exploration and the benefits of mineral resources, raw materials and their transformation, including energy and its future, management systems, and policy frameworks. Close to 800 people attended the technical sessions, speeches, individual presentations and panel discussions. Gonzalo Mayoral, Geocalci's Director Facultativo made a presentation titled 'Mining design of Muga Mine Project with the Deswik programme'.

The Talent Map forum

The Talent Map forum in Navarra is a business forum where General Managers and HR Directors of companies in Navarra discuss topics such as the future of talent in Navarra, employability competences and the influence of the digital and industrial transformation on the human capital of the region's companies. Javier Olloqui, Geocalci's HR Director, participated in this forum.

First Conference on the Use of Resources and the Circular Economy

More than fifty professionals attended the First Conference on the Use of Resources and the Circular Economy organized by the Foro LideraRSE and the Diario de Navarra Foundation in collaboration with Forética, the World Business Council for Sustainable Development (WBCSD), and Sustainn. Waste management and its use as valuable resources for companies led the round table on Circular Economy and Navarra Mining. Geocalci was represented by its Head of External Relations, Ricardo Pérez.



LideraRSE Conference on Circular Economy

European Mining Policy Laboratory, MIN-GUIDE 2018

The Instituto Geológico y Minero de España (IGME) invited Geocalci, as an example of good practice in the social management of a mining project, to this conference held in Madrid at the end of May 2018. Susana Bieberach, Geocalci's Communications and Social Responsibility Manager, presented at the conference.



Women, Mining and Industry Forum

The 5th National Aggregates Congress

The 5th National Aggregates Congress, held in Santiago de Compostela from 24 to 26 October 2018, included a round table to define the fundamentals of a strategy for the sector which facilitates improved communication with the social environment. Geocalci was invited as a pioneer in the implementation of a voluntary Participation Process that includes several initiatives such as information days, open days, and installation of suggestion boxes. Ricardo Pérez attended and presented at the conference.

Women, Mining and Industry

On 7 November 2018, Susana Bieberach participated in the Women, Mining and Industry forum, organized by the Embassy of Canada in Spain in collaboration with the Government of Andalucía and held in the International Institute of San Telmo, in Sevilla. The forum analysed the position of women in industry and in the mining sector, including aspects such as equal opportunities, professional integration and promotion, professional profiles in the industry, and the challenge of diversity in the sector. Lucía Martín, one of Geocalci's geologists, has also participated in the Women in Mining programme in 2017 and 2018, including attending the Women in Mining conference.

University liaison

Geocalci has continued to engage with universities, one example being the presentation by Ricardo Pérez 'Sustainable strategy in a mining project' to mining engineering students at the Universidad Politécnica de Madrid in November 2018.

Navarra Jobs

On 7 June 2018, the Baluarte Exhibition Centre in Pamplona hosted the IV edition of Navarra Jobs, the most important jobs and entrepreneurship fair in the region. More than 1,200 people and 43 companies and entities participated in the event at which the job expectations of different companies were discussed and close to 200 job posts were offered. Geocalci provided detailed information about Muga Mine's employment plans.



Navarra Jobs

Recognition awards

This year the Company has received the following awards:

InnovaRSE certificate

Receipt of the Cycle of Improvement award as a result of sustainable initiatives



RSA 2019 certificate

Aragón Province Social Responsibility Seal for the third consecutive year



Reconcilia certificate

Work Life Balance Award



Blue Stamp/Seal

for Health and Safety



Bonus 2017

A health and safety recognition for having a low accident rate



Cultural Award by the Association of Foundations of Navarra

for the "Transformation of the Municipal Waste facility at Liédena"

OUR ENVIRONMENT

The protection of the environment is a priority

As stated and embedded in our Core Values of “CREA”, we are committed to the best practices in terms of safety and health, the environment and the community in which we operate. The Group understands that the protection of the environment is a priority.

Long term economic development can only be understood if it is accompanied by adequate environmental and social management, within the framework of sustainability.

The Company continuously incorporates improvement measures that not only meet legal requirements but also go beyond in our aim of creating a sustainable, respectful project throughout all of Muga’s development phases.

Planning for the best environmental outcomes for Muga

The Company has always been committed to ensuring minimal environmental impact from its operations and indeed, if possible, to achieve improved environmental outcomes. Some specific examples, as presented to MITECO in our submission documentation for the DIA approval are:

- A Mining Waste Management Plan for the removal of all waste material and restoration of the site. This commitment makes Muga one of the benchmark mining projects in terms of waste management.
- An Environmental Risk Quantitative Analysis was carried out by expert consultants in order to analyse the probability of an environmental incident and to articulate mitigation and emergency measures.
- Geoalcali has incorporated into its Management Plan for prevention and management of environmental risk, an emergency action protocol in the event of an environmental accident. The aim is to consider these types of scenarios in order to manage effectively any possible negative impact on the environment.



Environmental Management today

ZERO ENVIRONMENTAL ACCIDENTS

There have been no environmental accidents in this period.

IMPROVED IDENTIFICATION OF DRILLING LOCATIONS

In the process of locating proposed drilling sites, the Company has adopted an improved methodology which considers environmental, social and health and safety factors in order to ensure the optimal drill site location.

FOLLOW-UP AND FULFILMENT OF OUR ENVIRONMENTAL COMMITMENTS FOR DRILLING WORKS

This work includes the development of the restoration plans for each exploration site, reviewing the selection of the drilling location, and inspections during the drilling work and through to their restoration. Through this process, the preventive and corrective measures necessary for its execution are defined in such a way as to avoid any environmental impact. In addition, local authorities review the Company's restoration activities and to date no non-compliance outcomes have been registered.

100% DRILLING SITES RESTORED

100% of the land used for drilling has been restored in accordance with the legislation. All official monitoring of the Company's environmental performance has been satisfactory.

WATER MANAGEMENT

The monitoring of the local water network is ongoing, including surface and ground water. This will provide the necessary background data for when the Company commences operations.

RAISING ENVIRONMENTAL AWARENESS

Several training initiatives have been launched for environmental personnel, as well as the development of environmental awareness campaigns for employees.

PROTECTING BIODIVERSITY

During this period, monitoring of fauna population was maintained in collaboration with SEO/BirdLife, a wildlife NGO, by monitoring the use of nest boxes installed for birds and bats in the project site.



OUR COMMUNITY

Committed to transparency and participation of the communities

Geoalcali and Highfield Resources understand the importance of gaining and maintaining community support for its project. As stated in Enduring Value: The Australian Minerals Industry Framework for Sustainable Development: "Unless a company earns that licence and maintains it on the basis of good performance on the ground, and community trust, there will undoubtedly be negative implications".

Mining projects have to understand the implications of uncoordinated stakeholder management which could lead to problems such as communities seeking to block project developments; employees choosing to work for a company that is a better corporate citizen; and ongoing legal challenges even after regulatory permits have been obtained.

Geoalcali understands that listening and engaging with key stakeholders is crucial in order to detect emerging community issues at an early stage and deal with them proactively rather than reactively, thus fostering greater public trust.

During this period the Company continued engaging with the community by:



Holding informative sessions for local stakeholders

In October 2017 Geoalcali held an Open Doors Event in the core shed the Company owns in the town of Sangüesa, the closest Navarran town to the project site. Approximately two hundred local residents attended the session to see and discuss with Geoalcali employees first-hand information regarding the Muga Project. Among the attendees were the mayors of Sangüesa, Javier, Yesa, Ezprogui, Liédena, Cáseda, Lumbier, Petilla de Aragón, Undués de Lerda, Sada and Rocaforte, as well as representatives from Cederna Garalur, a social and economic development NGO, and other organisations.

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



Open Doors Event held in October 2017

Organising information breakfast with local authorities to explain the permitting process

Geoalcali organised a meeting in August 2018 to explain the evolution and development of Muga Project to the local town halls. The main objective of the forum was to give an update on the current status and preparation of the project, to detail the actions carried out, the next steps planned and to answer any questions.

The event, which took place in the town of Javier, was attended by the main public representatives of 10 localities, as well as members of the municipal bodies. In total, 32 people attended.

“For us, this informative meeting is part of the commitment made by the company with communities and stakeholders in 2016, to promote information and public participation, transparency and dialogue throughout the whole life of the project”

Peter Albert in Informative Breakfast of August 2018

Raising Awareness in local schools about the Roles of Women in Mining

Diversity, and specifically female inclusion in the workforce, is a strong Company commitment. It is our belief that a balanced diverse workforce will lead to long term sustainable business outcomes. Fairness, equality and dignity are all commitments embedded in our core values.

The 2018 International Women’s Day occurred on 8 March 2018 and Geoalcali organised an awareness initiative on diversity and equality in two local schools, Colegio Luis Gil and Instituto de Sangüesa. The aim was to explain to children the importance of empowering women and incorporating women in industry, particularly in the mining sector which is traditionally a male dominated industry.



Mentoring Talks in local schools

Informing, educating and enthusing the public about minerals and their essential role in society

In collaboration with IGME and Magnesitas Navarras, Geoalcali organized an exhibition explaining the use of minerals from prehistory to the present day and raising awareness on how the sector contributes to innovation and sustainability. The exhibit reached more than 8,000 people and 42 schools during November and December 2018.



Minerals exhibition held at the Planetarium

Geoalcali Foundation Activities

The table below shows how Geoalcali's Foundation has participated in local communities, and how this involvement fits within the key areas set out in ISO 26000 and in the SDG, as well as the Foundation's four priority areas, or Pillars.

ISO 26000 RECOMMENDATIONS/SDG	PARTICIPATION OF THE FOUNDATION IN THE COMMUNITY	RELEVANT PILLARS OF THE GEOALCALI FOUNDATION
SOCIAL INVESTMENT THAT PROMOTES SOCIAL AND ECONOMIC DEVELOPMENT THROUGH TOURISM 	Implementation of tourist brochure in Undués de Lerda	 Sustainable communities
	Support for the development of a tourist product derived from the natural heritage of Castiliscar by recovering and protecting two green areas, one of which is a biosphere reserve	 Sustainable communities  Committed to the Environment
	Support for the urban mural art festival in Sangüesa (local artists from Navarra and international artists)	 Sustainable communities  Quality education
	Arrangement of Camino de Santiago passage through Rocafort	 Sustainable communities  Committed to the Environment
	Dissemination of the Roman heritage of Liédena	 Sustainable communities  Quality education
	Infrastructures for the conservation of the historic site of Sos del Rey Católico	 Sustainable communities  Committed to the Environment
	Enclosure and adaptation of the Las Losas park in Rocafort (old restored landfill)	 Sustainable communities  Committed to the Environment
INICIATIVES THAT PROMOTE HEALTH    	Healthy eating programme among students	 Sustainable communities  Committed to the Environment  Quality education
Healthy recipes contest among students	 Sustainable communities  Quality education	
'Postures, thoughts and healthy practices' programme	 Sustainable communities  Quality education	
Ensuring medical and ambulance services during various events in the festival days in Sangüesa	 Sustainable communities	

ISO 26000
RECOMMENDATIONS/SDG

PARTICIPATION OF THE FOUNDATION IN THE COMMUNITY

RELEVANT PILLARS OF THE
GEOALCALI FOUNDATION

**DEVELOPMENT
AND ACCESS TO
TECHNOLOGY**



Installation of public wifi in Undués de Lerda

Provide new technologies (projector for digital blackboard) in the college of Sangüesa

Introduce new technologies (digital blackboard) and acquisition of new books for the library of the school of Sos del Rey Católico



**PROMOTION OF
EDUCATION AND
CULTURE**



Acquisition of school material for the nursery school of Sos del Rey Católico (the only nursery in Las Altas Cinco Villas area)

Literary contest (short stories) about the Irati Train in Liédena

E-learning for Las Altas Cinco Villas

Tree-planting in the viewing point of Liédena (old restored landfill)

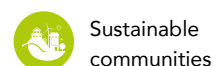
Annual celebration of Santa Bárbara paying tribute to miners



**EMPLOYMENT
CREATION AND
DEVELOPMENT OF
ACTIVITIES**



Adaptation of a space to be used as a first aid kit in Liédena avoiding the definitive disappearance of the pharmacy and maintaining the service to the neighbours



SOCIAL INVESTMENT



Promote the spaces in the region of Sangüesa where personal and social autonomy of the people with intellectual disabilities is promoted and guaranteed through training (to technical personnel, institutions and neighbours) in easy-to-read format

Support of a cis (Josenea) in the maintenance of two jobs (for elderly aged 50) through the ecological garden for the study of potash

School transport in order to facilitate the access to educational centres close to the locality



OUR PEOPLE

Creating a healthy workplace environment

Engaged employees have a direct impact in driving business success. The Company understands that in order to achieve an operation's productivity, efficiency and high standards of safety, environment and social performance it is key to develop a high level of involvement from all staff members and a cohesive work environment. The Company monitors its plan in order to continuously improve the workplace environment and has focused its efforts in:

Boosting training within the organisation

Professional development of Geoalcali staff has been key during the period. In order to determine their training needs, individual interviews have been carried out with each member of the team, conducted by the HR Department. After these interviews, the training plan was defined and the following programmes launched:

- Language Programme. Four groups of English language training have been organized with a total of 1,040 hours, which has had the participation of 13 people and a Spanish language learning group with a total of 80 hours, with the participation of 3 people.
- Mine Visits Programme. This programme has been designed so that the majority of the staff could visit an operating mine as well as processing plants in Europe. The purpose of this programme was to achieve a better insight of underground mining projects based in Spain, UK and Germany by analysing similarities and differences to Geoalcali's Muga Mine. 80% of the workforce has participated in this programme.
- On site Experience Programme. During this year, the Company seconded two professionals to work in other operations in order to gain hands-on operating experience. One of the Company's resource geologists spent three months working at the Labambe copper mine in Zambia. The other staff member is working at the Capricorn Copper Mine in Australia for twelve months.
- Team Work Plan. The need for team cohesion by upholding the core values of the Company, CREA. CREA is the defining cultural principle of the Company and its importance to our future will continue to be reinforced by holding various teamwork activities, both inside and outside the Company.



Site visit to operating mines in Europe

Supporting initiatives to uphold inclusion and diversity

A diverse workforce will bring different ideas and new ways of thinking to the business. Different points of view enrich the overall performance of the Company and this is aligned with the Company's values and policies, ensuring the Group is an equal opportunity employer.

In terms of diversity inclusion, the Company has carried out internal and external actions, listed below:

- An event on 8 March 2018 marking International Women's Day.
- Collaborating with the Metisphere and International Woman in Mining Programme by supporting female workers participation.
- Supporting a female group of six representatives that attended the Woman in Mining Congress in Seville (Spain).
- Participation of 70% of the female workforce in the 'Inspiring Girls' mentoring programme as volunteer mentors. This programme's aim is to boost STEM (Science, Technology, Engineering and Mathematics) careers for girls. Geocalci's contribution is to promote in the community careers for women in the resources industry.



Team members at Women in Mining Conference

Developing actions to create a stronger work life balance

The Company has implemented an Absence Permit Management Procedure that includes measures that go beyond the basic legal requirements in respect of accompanying family members to medical consultations, working time management for official studies, etc.

The Company has also developed a Work Calendar that includes flexibility measures in order to facilitate a greater work life balance for the staff.



Health and Safety efforts at a glance

Workplace health and safety is a key factor for all industries in order to promote the wellness of both employees and employers. It is a duty and a moral responsibility of the Company to protect every employee from harm. The Group understands that to achieve ingrained safety awareness requires a commitment from the leadership team and from all employees. It has to become part of the Company's core culture. This is why the Company undertook a number of initiatives during this period to ensure a high level of workplace health and safety, now and in the future. For example:

Increasing staff training

This year the Company continued training our personnel by organizing 11 internal safety training courses. The Company also organized external training listed below:

- Safe Driving Course (Tecdrive): 8 hours, 14 people; safety refresher course according to Spanish mining safety rules ITC 02.1.02 (Natural Resources Research and Development) 5 hours, 6 people.
- First Aid Course (Mutua Navarra): 2 hours, 20 people.
- Approved Course on Defibrillator Use (IDM Medical): 8 hours, 6 people.
- Course on Investigation of Incidents and Accidents in the Work Environment (Prevenna): 2 hours, 3 people.
- Preventive Culture based on 'The Risk Factor' (Dupont): 2 hours, 21 people.



First aid training

Contributing to a safer workplace

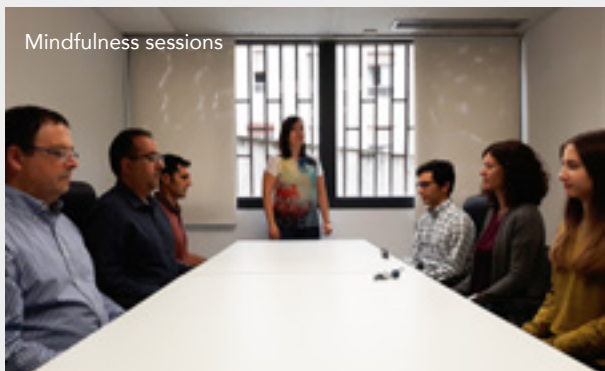
During this period the Health and Safety department updated the safety manuals and undertook several studies to contribute positively to a safe workplace. These studies were focused on the correct and safe use of computer screens, a mobility plan to boost vehicle sharing or the use of bicycles and a study on noise, dust and chemical waste during mineral cutting activities.

The Company also held Emergency Plan simulations in December 2018.

Every year the Company organises general medical checks for all staff.

Geoalcali also improved the facilities at its offices by installing a defibrillator machine.

The Company initiated weekly mindfulness sessions and provided regular fruit for employees as well as talks by external health professionals, all designed to help encourage a healthy workplace and healthy life habits.



Raising awareness

Each year Geoalcali organises an incentive plan for its employees which rewards good ideas that improve the health and safety culture of the Company. This year the Company received nine contributions from its staff.

Also, during the period the communication topics around safety have increased and as a new initiative, Geoalcali has incorporated in its daily meetings protocol a safety moment or 'Safety Topic' in order to ensure that in our daily activities we think about safety first.



Safety performance

An appropriate safety culture will be a cornerstone of the Company's future culture as it moves into construction and operations. Management considers that developing that culture now will lay the foundation for the future. As such, in the past year there has been an increased focus on safety awareness, reporting of any and all incidents and discussing safety at every meeting.

The table below shows the results of the Company's monitoring of its safety performance, part of its process of measuring and reporting its performance:

ACCIDENTS

One minor accident with LTI (lost time injury) (Geoalcali staff)

Two minor accidents with LTI (contractor staff)

Both accidents were investigated. It was demonstrated that the operators in each case did not follow the established procedure. Corrective measures: retraining in the procedure and specific training to improve safety culture were applied.

INCIDENTS

(NEAR-MISS OR UNDESIRED CIRCUMSTANCES)

Six unsafe conditions reported and addressed.

Four opportunities to improve existing facilities reported. These will be taken into account and incorporated in the near future.

Two unsafe acts or unsafe behaviour reported of varying degrees:

One from contractor staff (Corrective measure: dismissal).

One from Geoalcali staff (Corrective measure: retraining).

DIRECTORS' REPORT

The Directors present their report for Highfield Resources Limited ("Highfield Resources", "Highfield", or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2018.





Directors
Board Committees
Interests in the Securities of the Company
Results of Operations
Dividends
Corporate Structure
Nature of Operations and Principal Activities
Review of Operations
Geoalcali Foundation
Corporate
Annual Review of Ore Reserves and Mineral Resources
Corporate Governance – Mineral Resources and Ore Reserves Calculations
Significant Changes in the State of Affairs
Significant Events After the Reporting Date
Likely Developments and Expected Results of Operations
Environmental Regulations and Performance
Share Options
Indemnification and Insurance of Directors and Officers
Directors' Meetings
Proceedings on Behalf of Company
Corporate Governance
Auditor Independence and Non-Audit Services
Audited Remuneration Report

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. Mr. Carter is also a Director and Chairman of ASX listed company, Petrathern Limited.

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 Petroleum Experts Group and the Minerals and Energy Advisory 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 Medalist.



Mr. Peter Albert

Managing Director and Chief Executive Officer, BSc (Hons), EMBA, FAusIMM, MIO3, CEng

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

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



Ms. Pauline Carr

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

Ms. Carr has over 30 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 Chancellor of the University of South Australia. She is also Deputy Chairman of the South Australian Minerals and Energy Advisory Council and the Minerals and Petroleum Expert Group. In the three years immediately before the end of the financial year, Ms. Carr held no other directorships of any listed companies.



Mr. Richard Crookes

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

Mr. Crookes has over 30 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). Mr. Crookes most recently spent six years with EMR Capital as an Investment Director and prior to that, 12 years as 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 funds management, deal origination, evaluation, structuring, and execution of investment entry and exits for both private and public resources companies in Australia and overseas. In the three years immediately before the end of the financial year, Mr. Crookes held two other directorships of listed companies (Chairman Black Rock Mining Ltd BKT:ASX, since October 2017; Executive Director Lithium Power International Ltd LPI:ASX, since October 2018).



Mr. Roger Davey

Independent Non-Executive Director, ACSM, MSc., C.Eng., Eur.Ing., MIMMM

Mr. Davey is currently a Non-Executive Director of a number of mining companies in the junior mining sector.

He is a Chartered Mining Engineer with over 35 years' experience in the international mining industry. Up to December 2010, he was an Assistant Director and the Senior Mining Engineer at N M Rothschild (London) in the Mining and Metals project finance team, where for 13 years he was responsible for the assessment of the technical risk associated with all the current and prospective project loans. Prior to this his experience covered the financing, development and operation of both underground and surface mining operations in gold and base metals at senior management and director level in South America, Africa and the United Kingdom. He is fluent in Spanish.

His previous positions include Director, Vice president and General Manager of Minorco (AngloGold) subsidiaries in Argentina (1994 - 1997), where he had responsibility for the development of the Cerro Vanguardia open pit gold-silver mine in Patagonia; Operations Director of Greenwich Resources plc, London (1984 - 1992), with gold interests in Venezuela, Sudan, Egypt and Australia; Production Manager for Blue Circle Industries in Chile (1979 - 1984); and various production roles from graduate trainee to mine manager, in Gold Fields of South Africa (1971 - 1978).

Mr Davey is a graduate of the Camborne School of Mines, England and holds a Master of Science degree in Mineral Production Management from Imperial College, London University. He is a Chartered Engineer (C.Eng.), a European Engineer (Eur. Ing.) and a Member of the Institute of Materials, Minerals and Mining (MIMMM).

In the three years immediately before the end of the financial year, Mr. Davey 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 financial year, Mr. Dietz held no other directorships of any listed companies.



Mr. Owen Hegarty

Non-Executive Director, BEc (Hons), FAusIMM

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

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



Mr. Brian Jamieson

Non-Executive Director,
FCA, FAICD

Mr. Jamieson has over 40 years' experience in the advisory, manufacturing, resources and technology industries in Australia and offshore.

He is presently Non-Executive Chairman of ASX listed companies Mesoblast Limited and Sigma Healthcare Limited.

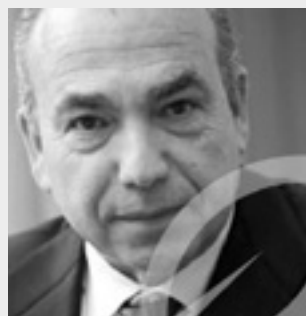
Mr. Jamieson was a Non-Executive Director of ASX listed Oxiana/OZ Minerals Limited from 2005 to 2015 and served as Chairman of Audit Risk and Compliance, Nomination and Remuneration, and Due Diligence Committees. He was a Non-Executive Director of Tatts Group Limited from 2005 to December 2017 and served as the Chairman of Audit and Risk Committee, Chairman of the Due Diligence Committee and member of the Remuneration Committee. He was also a Non-Executive Director of ASX listed Tigers Realm Coal from 2010 to 2015 and chaired various committees.

Mr. Jamieson was Chief Executive of Minter Ellison Melbourne from 2002-2005. Prior to joining Minter Ellison, Mr. Jamieson was Chief Executive Officer at KPMG Australia from 1998-2000, Managing Partner of KPMG Melbourne and Southern Regions from 1993-1998 and Chairman of KPMG Melbourne from 2001-2002. Prior to the merger of Touche Ross & Co and Peat Marwick

Hungerfords to form KPMG, Mr. Jamieson was the Managing Partner for Australia for Touche Ross & Co.

He has over 30 years' experience in providing advisory and audit services to a diverse range of public and large private companies. He is also a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

In the three years immediately before the end of the financial year, Mr. Jamieson held no other directorships of any listed companies.



Mr. Isaac Querub

Independent Non-Executive Director, BA (Administration) BA (Law)

Mr. Querub was an advisor to both the Company and its wholly owned Spanish subsidiary, Geoalcali, from September 2017 until joining the Board on 5 April 2018.

He is one of Spain's most senior commodities professionals and has a successful track record as a global mining executive and over 35 years' experience in the sector. He was Chief Executive Officer of Glencore in Spain for over 14 years representing Glencore in negotiations which resulted in important transactions and acquisitions over more than 20 years. He led Glencore in transactions throughout Africa and Spain as well as representing the Company on the Board of Asturiana del Zinc, a major Spanish zinc producer. More recently he was Chief Executive Officer of EMED, now Atalaya, which operates the former Rio Tinto copper mine located in southern Spain.

Mr Querub has a degree in Business Administration and a degree in Law, both from ICADE - Universidad Pontificia de Comillas, Madrid. He is currently active on a number of not-for-profit Boards as well as having extensive experience in the international marketing of mineral, crude and oil products.

In the three years immediately before the end of the financial year, Mr. Querub held no other directorships of any listed companies.



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 Petratherm 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 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, Mr. Richard Crookes and Mr. Brian Jamieson. Mr. Brian Jamieson joined the Committee effective 1 July 2018 following his appointment as a Director on 24 May 2018.

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 \$1.29 each on or before 31 Dec 2025	Options – exercisable at \$1.34 each on or before 30 Jun 2025	Options – exercisable at \$1.85 each on or before 18 Nov 2024	Options – exercisable at \$1.85 each on or before 30 Jun 2024	Options – exercisable at \$1.29 each on or before 30 Jun 2021	Options – exercisable at \$2.00 each on or before 30 Jun 2019
Derek Carter	9,221,504	-	-	-	-	-	1,000,000
Peter Albert	78,000	2,992,287	1,820,654	3,000,000	-	-	-
Pauline Carr	30,000	-	-	-	-	-	1,000,000
Richard Crookes	-	-	-	-	-	-	-
Roger Davey	-	-	-	-	-	1,000,000	-
Jim Dietz	50,000	-	-	-	-	-	1,000,000
Owen Hegarty	-	-	-	-	-	-	-
Brian Jamieson	-	-	-	-	-	1,000,000	-
Isaac Querub	-	-	-	-	1,000,000	1,000,000	-

Results of Operations

The Company's net loss after taxation attributable to the members of Highfield Resources Limited for the financial year ended 31 December 2018 was \$4,229,832 (six months ended 31 December 2017: \$469,661).

Dividends

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

Corporate Structure

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

Nature of Operations and Principal Activities

The principal activity of the Company during the financial year 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 four 100% owned potash projects located in Spain's potash producing Ebro Basin.

MUGA PROJECT AND VIPASCA PROJECT

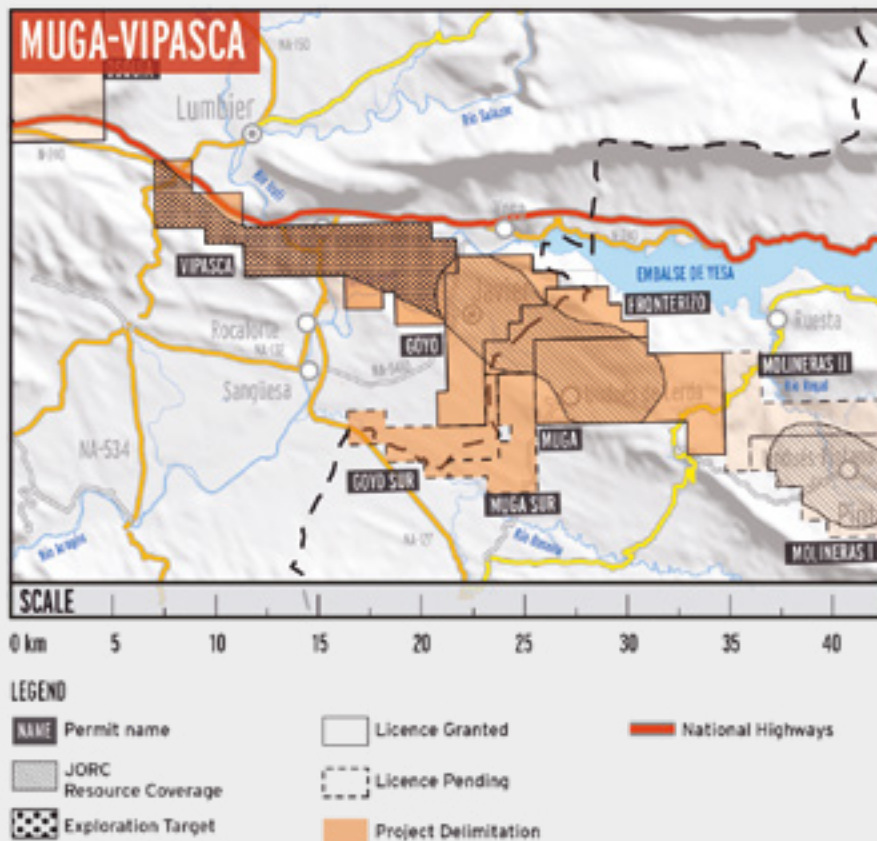
The Company's flagship Muga Project is targeting the relatively shallow sylvinitic beds in the Muga Project area that covers about 60km². Mining is planned to commence at a depth of approximately 350 metres from surface and is therefore ideal for a relatively low cost conventional mine accessed via a dual decline, as demonstrated in the Company's Muga Project Update completed in October 2018.

The Muga Project Update in October 2018 also confirmed the strategic importance of Vipasca as a potential extension of the Muga Project. The Vipasca Project previously included the Vipasca permit area and the Borneau permit area to the west of the Vipasca permit. In February 2019 the Company relinquished the less prospective tenement of Borneau to focus on the higher potential Vipasca permit located adjacent to the Muga Project. Following this change the Vipasca permit, which covers approximately 27km², is now reported with

the Muga Project. The Vipasca permit is highly prospective for economic potash mineralisation, with a primary focus on the deeper, higher grade, P1 and P2 potash horizons.

Previously, during the quarter ended June 2018, the Vipasca permit had been renewed with a reduced area, whereby the least prospective part of the tenement was relinquished.

As reported in its September Quarterly Activities Report of 23 October 2018, the Company completed two drill holes, V17-03 and V17-02, towards the east of Vipasca permit. In its Quarterly Activities Report for the quarter ended 31 December 2018 the Company reported that drill hole V17-03 ended at 925 metres with an in-hole intercept of 52 metres of potash bearing rock while the second drill hole V17-02 intersected a thin potash seam.



Muga Project Approvals Process

On 8 March 2018 the Company advised that it had been provided with copies of the final two outstanding reports required to complete the formal environmental consultation process. On 21 March 2018, the Company reported that the Ministry for Ecological Transition (Ministerio para la Transición Ecológica, "MITECO"), had requested the Company to provide further clarification on three specific items, being seismicity, subsidence and salt by-product management.

On 16 July 2018, the Company reported that the final clarification documentation was submitted to MITECO. MITECO then distributed the Company's documentation to a limited number of specifically identified regulatory bodies.

In the Quarterly Activities Report for the quarter ended 30 September 2018, the Company advised that although the process was well underway, due to the European summer holidays there would be a slight delay in the ability for some regulatory bodies to respond to MITECO.

In its Quarterly Activities Report for the quarter ended 31 December 2018, the company reported that in the month of December 2018 MITECO had received all of the response reports from the regulatory bodies, which it is now reviewing prior to making its decision on the award of the environmental permit, the Declaración de Impacto Ambiental ("DIA").

Throughout the whole process the Company has continued to maintain open and constructive communication with MITECO and all relevant regulatory bodies to help facilitate the approval process.

The Company remains confident of receiving a positive outcome to the environmental permitting process.



Muga Project Technical Update

In its Quarterly Activities Report for the quarter ended 31 March 2018 released on 17 April 2018, the Company reported that the metallurgical test work being undertaken at the Saskatchewan Research Council ("SRC") facilities in Canada had been completed. The results were very encouraging and with modifications to the circuit yielding saleable grade material on all material types as well as acceptable recoveries of potash.

In the same report the Company stated that studies were also completed on the best means of accessing the ore body. Options reviewed included the previously planned twin diverging declines, a single decline with raise bore shaft, and twin parallel declines. The twin parallel decline option yielded the best outcome in terms of safety of development and operation, cost, time to complete, and optimal access to the ore body.

In its June Quarterly Activities Report, the Company reported that a geotechnical hole along the line of the declines was completed to a length of 482 metres. Good core recovery indicated competent rock quality along most of its length and validated the geological modelling arising from previous vertical drill holes. In addition, ground water quality and flow rate monitoring throughout the drilling confirmed low flow rates and no salinity. This geotechnical work confirmed the Company's revised plan to develop twin parallel declines.

The Company also reported that Hatch had completed the basic design for the new process flowsheet to optimise MOP product grade, based on the metallurgical testwork programme completed by SRC in the previous quarter. A later addition to the circuit is a small crystallizer.

In its September Quarterly Activities Report the Company provided an update on work by Micon International Company Ltd ("Micon"), a third-party mineral consultancy company, that undertook a technical review of specific aspects of the Project. This included a high-level review of Mineral Resources and a detailed review of Ore Reserves, mine planning and scheduling, mine operations planning, process design and operations planning, project execution plan and programme sequence, cost plan, contract plans and procurement plans which confirmed the validity and suitability of all the technical work reviewed, and identified potential risk areas and mitigating strategies. Micon confirmed that the quantity and substance of the work completed is generally more advanced than most projects at a similar stage of development.

During the September quarter, two geotechnical holes were drilled from surface to intercept the location of the declines at depth, one of which intersected an anomaly previously picked up by electro-tomography with the core revealing a fractured formation. These discontinuities had already been accounted for in the decline design and will be mitigated by using an appropriate support structure during the decline development through this area. Two hydrogeological test holes were completed and a piezometer installed. Hydrogeological pumping tests and slug tests were finalized during the quarter by Amphos 21, a technical consultant specialising in design of water management systems in mining environments. The results of the analysis indicated that there will be a low inflow of water of 1-2 litres per second from each decline once the declines are fully excavated.

On 10 October 2018 the Company announced an updated Mineral Resources estimate for Muga. Using different and improved modelling techniques the Measured and Indicated Mineral Resources of 235 million tonnes at 12.3% potassium oxide ("K₂O", potash), and Inferred Mineral Resources of 32.6 million tonnes at 12.9% K₂O was little changed from the previous statement released in 2015.

On 15 October 2018 the Company released a Muga Project Update with an updated economic forecast with an NPV₈ of €1,159 million and IRR of 23% with a competitive C1 cash cost of €104/t, including salt by-product. The project update reflected a revised mine plan completed in the previous quarter including all mine sequencing and scheduling with extraction ratios for all depths and layouts. Access will be by twin declines from surface, over a length of 2.6 km to a depth of 350 metres. The primary production method will be room and pillar using continuous miners and road headers, with an advancing chevron pattern approach. The type of equipment selected to carry out the decline excavation and the preferred decline excavation machinery was observed in operation at a mine in Australia to confirm its suitability. The pillar design was assessed to provide an optimal extraction ratio while maintaining ground stability, ensuring safe working and environmental conditions are achieved in the potash environment. The detailed mine plan was developed by the Company's mine planning team with support from mining consulting group SRK Consulting (UK) Limited ("SRK"). The revised mine plan also incorporates the anticipated requirements of the environmental permitting process, particularly related to subsidence control and exclusion zones around towns, infrastructure and objects of significant cultural importance. All plant preliminary design and engineering optimisation work was completed during the September quarter.

On 22 January 2019 the Company announced an update to the Ore Reserves estimate for Muga. The Proved and Probable Ore Reserves was derived from the Measured and Indicated Mineral Resources estimate released on 10 October 2018 and comprises 108.7 million tonnes at 10.2% K₂O, with Proved Ore Reserves of 42.9 million tonnes at 10.2% K₂O and Probable Ore Reserves of 65.8 million tonnes at 10.2% K₂O.

Updated MOU signed with Acciona

The Company announced on 16 November 2018 that it had signed an updated Memorandum of Understanding (“MOU”) with Acciona Construcción S.A. (“Acciona”). The MOU establishes a strategic collaboration between the two companies, and names Acciona as the only preferred construction partner for the Project. Acciona’s responsibilities will include the supply, management and coordination of labour and materials for the construction of the Muga mine. Geoalcali will establish and maintain an Owners Team to develop, manage, monitor and supervise the construction works. The MOU confirms that as part of this arrangement, Acciona will assist in the planning of the Project, contributing its skills and experience in large, global infrastructure and industrial projects, thus reducing the Project’s delivery risk. This will be key to ensuring the Muga Mine will be built on time and to budget and the MOU is a major step towards signing a construction contract for the Project.

Project Financing

The Company entered into a project finance mandate with four Mandated Lead Arrangers (“MLAs”) in mid-2015 for a facility to fund the construction of the Project, alongside equity to be raised by the Company. Following significant progress on the facility in 2015 and 2016, as a result of which conditional credit approval was received for a facility of €185 million, the Company and the banks agreed to defer further work towards financial close until after receipt of the DIA.

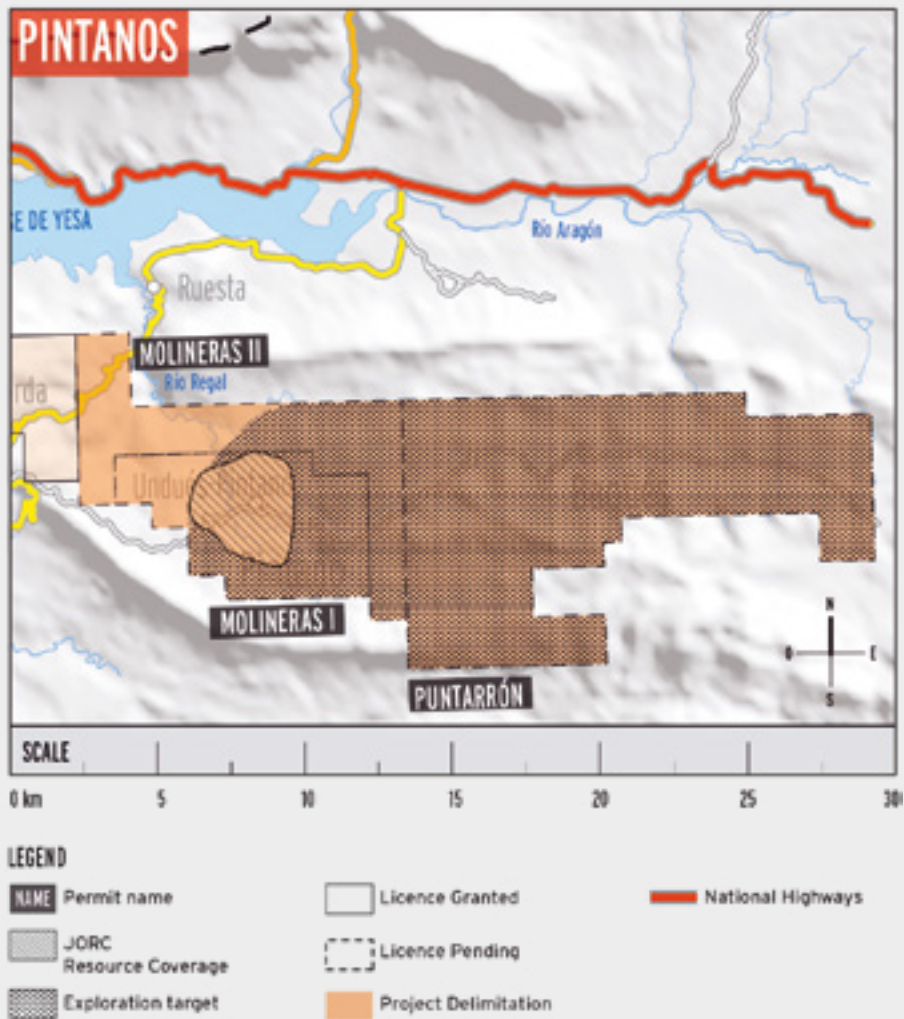
The Company has continued to update the Project Finance syndicate on project development with respect to the financing facility for Muga. Highfield remains confident of putting in place its debt financing following receipt of all approvals, to support a final investment decision and the commencement of construction.



PINTANOS PROJECT

Highfield’s 100% owned Pintanos Project abuts the Muga Project to the east and covers an area of 65km². Depths from surface to mineralisation commence at around 500 metres. The Company is building on substantial historical potash exploration information which includes seven drill holes and ten seismic profiles completed in the late 1980s.

In its Quarterly Activities Report for the quarter ended 31 December 2018 released on 29 January 2019, the Company reported that the application process has re-started for the drilling permit Molineras 2 following the conclusion of the public consultation period.



SIERRA DEL PERDÓN PROJECT

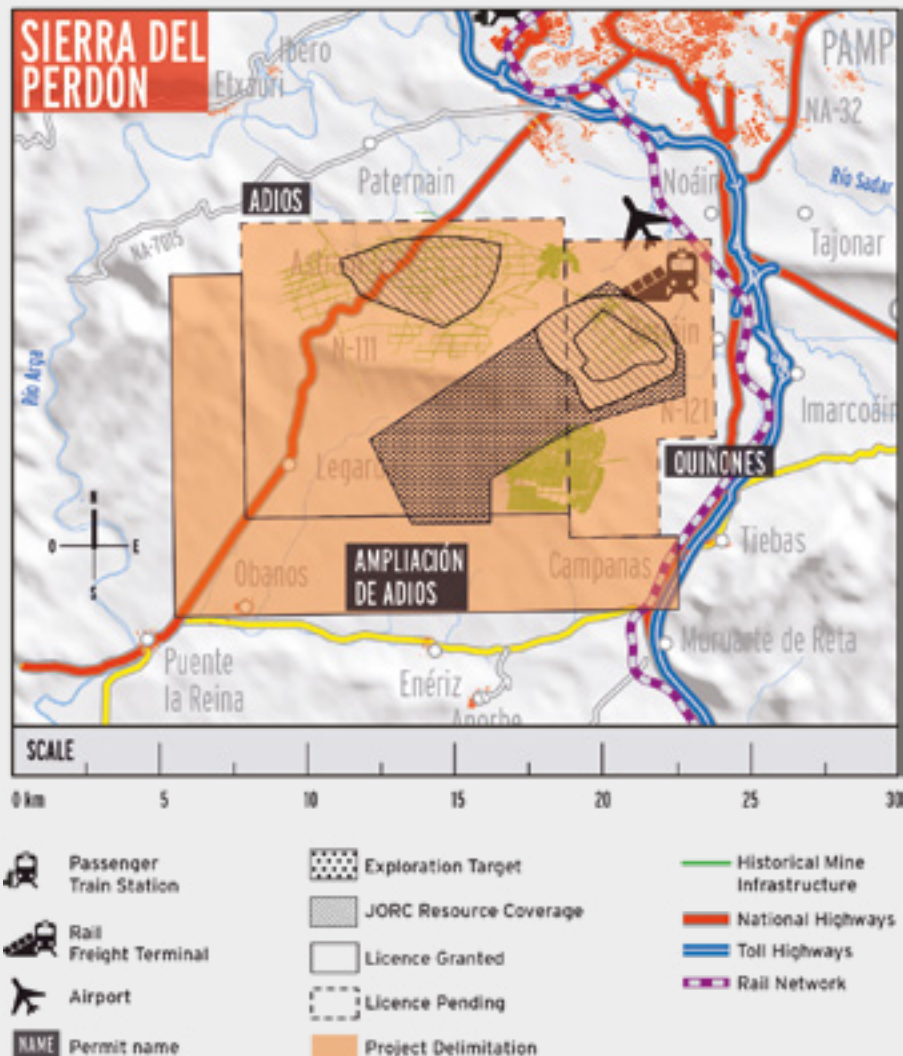
Highfield's 100% owned Sierra del Perdón ("SdP") Project is located south east of Pamplona and covers approximately 120km². Sierra del Perdón is a brownfield project which previously hosted two potash mines operating from the 1960s until the late 1990s producing nearly 500,000 tonnes of K₆₀ MOP per annum. 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 31 March 2018, the Company advised that an exploration drill hole was completed at SdP. Drill hole SDP-014 was designed to test the western periphery in Subiza Block, to check the continuity of the potash mineralization on the western edge of the old mining area. The drill hole targeted both sylvinite and carnallite mineralisation seams at a depth of 668 metres. The Upper Carnallite Seam has a thickness of 4.2 metres with an average grade of 8.79% K₂O, while the Lower Carnallite Seam has a thickness

of 1.8 metres with an average grade of 8.14% K₂O. Traces of sylvinite were intersected below this unit but the grades were not conclusive in showing that the sylvinite seam was intersected in this drill hole. The location of this drill hole reflects the proximity of the depositional edge in the south western area of the basin.

In its Quarterly Activities Report for the quarter ended 30 September 2018 the Company reported that two new exploration drill at SdP, SdP-007 and SdP-017, were completed within the quarter.

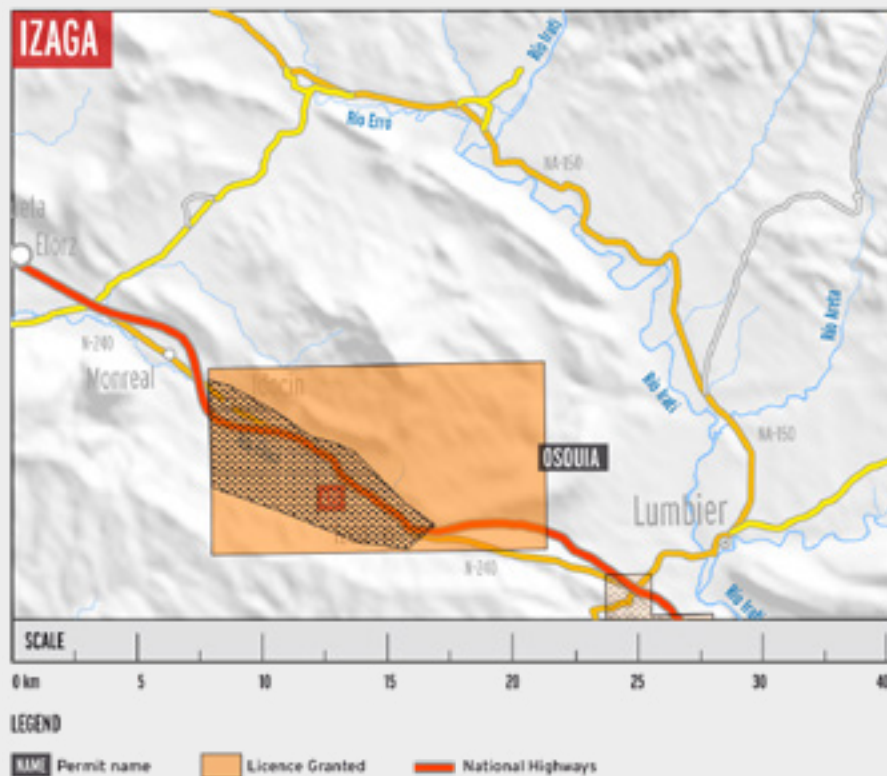
In the Quarterly Activities Report for the quarter ended 31 December 2018 the Company reported that during the quarter it had been advised that the second three year extension application for the Adiós and Quiñones permits had been rejected by the mining department of the Government of Navarra. The Company has obtained legal advice and is progressing an appeal process with regards to this decision. It is confident of a positive resolution.



IZAGA PROJECT

The Izaga Project covers an area of more than 57km², 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 year ended 31 December 2018, limited additional work was carried out.

In February 2019 the Company relinquished the less prospective areas of Girardo to the north of the Osquia permit and Palero to the west of the Osquia permit in order to focus on the more prospective Osquia permit.



Geoalcali Foundation

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

Projects

The Company's community engagement programme continues to be well received. The Geoalcali Foundation supports and finances projects related to its four pillars: Quality Education, Social Integration, Sustainability, and Environmental Commitment.

The Geoalcali Foundation currently provides ongoing support to over 20 community projects and since its establishment in September 2014 has been involved in more than 140 different projects with town halls, social associations, foundations and scientific/agricultural organizations. Activities from the Foundation are very well known and appreciated by the local community.

Corporate

Directors

Mr. Isaac Querub was appointed to the Board on 5 April 2018 as an independent Non-Executive Director. Mr. Querub has more than 35 years' experience in the commodities sector including 12 years as CEO of Glencore in Spain.

Mr. Roger Davey was appointed to the Board on 24 May 2018 as an independent Non-Executive Director. Mr. Davey is a fluent Spanish speaker, having been a Director, Vice President and General Manager of Minorco in Argentina for several years. More recently he was Senior Mining Engineer in the project finance team for NM Rothschild Mining and Metals. As chairman of Atalaya Mining Mr. Davey is experienced in operating in Spain.

Mr. Brian Jamieson was also appointed to the Board on 24 May 2018 as a Non-Executive Director. He was on the board of Oxiana for 10 years and has experience in developing exploration focused companies into producers. Mr. Jamieson has been nominated by EMR to replace Owen Hegarty who has advised of his intention to retire from the Board.



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 2018. Rounding differences may occur.

MUGA PROJECT

A maiden Ore Reserves estimate 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 Reserves estimate for the Muga Project was calculated as at December 2018 and released to the ASX on 22 January 2019. The Company considers this Ore Reserves estimate to be accurate as at 31 December 2018.

Table 1: Muga Ore Reserves Summary

	31 December 2018		31 December 2017		30 June 2017	
	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	42.9	10.2%	81.6	11.7%	81.6	11.7%
Probable	65.8	10.2%	172.1	11.4%	172.1	11.4%
Total Proved & Probable	108.7	10.2%	253.7	11.5%	253.7	11.5%

Highfield released an updated JORC-compliant Mineral Resources estimate ("MRE") to the ASX on 10 October 2018. The Company considers this MRE to be accurate as at 31 December 2018. The MRE includes all Ore Reserves shown above in Table 1.

Table 2: Muga Mineral Resources Summary

	31 December 2018		31 December 2017		30 June 2017	
	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	91.8	12.4%	75.1	13.6%	75.1	13.6%
Indicated	143.0	12.1%	149.4	13.3%	149.4	13.3%
Total Measured & Indicated	234.8	12.3%	224.5	13.4%	224.5	13.4%
Inferred	32.6	12.9%	39.2	13.8%	39.2	13.8%
Total	267.4	12.4%	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 2018.

Table 3: Sierra del Perdón Mineral Resources Summary

	31 December 2018		31 December 2017		30 June 2017	
	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 Resources estimate released on 20 November 2013 and therefore adversely impacted the tonnage available to be classified as Inferred Mineral Resources. As a result, a revised MRE was prepared and reported in the ASX Additional Information section of the Company's annual report for the year ended 30 June 2017, as summarised in Table 4 below. The Company continues to believe the exploration potential for Pintanos remains strong and will continue exploration of the project.

The Company considers this MRE to be accurate as at 31 December 2018.

Table 4: Pintanos Mineral Resources Summary

	31 December 2018		31 December 2017		30 June 2017	
	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%	70.7	11.9%
Total	70.7	11.9%	70.7	11.9%	70.7	11.9%

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 2018		31 December 2017		30 June 2017	
	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	42.9	10.2%	81.6	11.7%	81.6	11.7%
Probable	65.8	10.2%	172.1	11.4%	172.1	11.4%
Total Proved & Probable	108.7	10.2%	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 2018		31 December 2017		30 June 2017	
	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	91.8	12.4%	75.1	13.6%	75.1	13.6%
Indicated	184.8	11.9%	191.2	12.7%	191.2	12.7%
Total Measured & Indicated	276.6	12.0%	266.3	13.0%	266.3	13.0%
Inferred	143.6	11.7%	150.2	12.0%	150.2	12.0%
Total	420.2	11.9%	416.5	12.6%	416.5	12.6%

Corporate Governance – Mineral Resources and Ore Reserves 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 drill results and Mineral Resources calculations are validated by a competent, senior geologist and are reviewed and verified independently by a qualified person. In addition, the existing composition of the Highfield Board of Directors includes two qualified geologists.

Significant Changes in the State of Affairs

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

Significant Events After the Reporting Date

There have been no significant events after the reporting date 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 43,749,618 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price (\$)	Expiry Date
3,000,000	\$1.29	30 June 2021
7,342,397	\$1.29	31 December 2025
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
Total: 43,749,618		

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

The following options were issued during the financial year:

- 3,000,000 options with an exercise price of \$1.29, expiring on 30 June 2021; and
- 7,342,397 options with an exercise price of \$1.29, expiring on 31 December 2025.

The following options lapsed during the financial year:

- 3,100,000 options with an exercise price of \$0.75, expiring on 30 June 2018;
- 9,450,000 options with an exercise price of \$0.75, expiring on 11 September 2018;
- 750,000 options with an exercise price of \$1.00, expiring on 30 June 2018; and
- 4,000,000 options with an exercise price of \$1.25, expiring on 30 June 2018.

The following options were exercised during the financial year:

- 250,000 options with an exercise price of \$0.75, expiring on 30 June 2018; and
- 50,000 options with an exercise price of \$0.75, expiring on 11 September 2018.

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 entered into insurance policies 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 financial year and the number of meetings attended by each Director were as follows:

Director	Directors' Meetings		Remuneration and Nomination Committee		Audit, Business Risk and Compliance Committee	
	A	B	A	B	A	B
Derek Carter	7	5	7	4*	4	4
Peter Albert	7	7	7	4*	4	4*
Pauline Carr	7	7	7	7	4	4
Richard Crookes	7	7	7	7	4	4
Roger Davey	4	4	4	1*	3	1*
Jim Dietz	7	7	7	7	4	3*
Owen Hegarty	7	4	7	1*	4	-
Brian Jamieson	4	4	4	2*	3	3
Isaac Querub	5	2	5	1*	3	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 financial year.

Corporate Governance

In recognising the need for robust 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 exploration and 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 96 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 year ended 31 December 2018. 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	Independent Non-Executive Chairman
Peter Albert	Managing Director and Chief Executive Officer
Pauline Carr	Independent Non-Executive Director
Richard Crookes	Non-Executive Director
Roger Davey	Independent Non-Executive Director (appointed 24 May 2018)
Jim Dietz	Independent Non-Executive Director
Owen Hegarty	Non-Executive Director
Brian Jamieson	Non-Executive Director (appointed 24 May 2018)
Isaac Querub	Independent Non-Executive Director (appointed 5 April 2018)

Key Management

Mike Norris	Chief Financial Officer
-------------	-------------------------

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.

The Committee and Board have established the following parameters as part of the remuneration framework for executives:

Level	Short Term Incentive	Long Term Incentive ¹
Managing Director	Up to 80% of fixed remuneration 100% Corporate KPIs	Up to 100% of fixed remuneration in the form of options subject to performance hurdles
Senior executives	Up to 60% of fixed remuneration (up to 60% Corporate KPIs and the remainder Personal KPIs)	Up to 75% of fixed remuneration in the form of options subject to performance hurdles

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

REMUNERATION PHILOSOPHY

The Company and its controlled entities aim to position themselves so that the total remuneration paid to employees will be competitive relative to the relevant 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 information relevant 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.

In early 2018, the Remuneration and Nomination Committee engaged Mercer to compile a peer index and to benchmark executive remuneration against the market index. Mercer was paid \$12,650 for these services in May 2018.

While Mercer did not provide a remuneration recommendation in relation to any key management personnel as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act the following arrangements were made to ensure that the report was free from undue influence by members of the Group's key management personnel:

- Mercer was engaged by, and reported directly to, the Chair of the Remuneration and Nomination Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration and Nomination Committee under delegated authority on behalf of the board;
- The report was provided by Mercer directly to the Chair of the Remuneration and Nomination Committee; and
- Mercer was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Mercer was not permitted to provide any member of management with a copy of their draft or final report.

As a consequence, the Board was satisfied that the Mercer report was free from undue influence from any members of the key management personnel being reviewed.

In January 2018 Mercer undertook a market benchmarking exercise of Directors' fees. For these services Mercer was paid a total of \$13,200. The results were considered by the Board and some adjustments were made to Committee fees which reflected the additional workload and obligations being placed on Committees. Mercer did not provide a remuneration recommendation for this work in relation to any key management personnel as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act.



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.	<p>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.</p> <p>The Board has the flexibility to pay the STI in shares if it deems this is a more appropriate mechanism as befits the Company's status at different junctures in time.</p>	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 periodically 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 non-recurring extra exertion amounts where they determine such payments are warranted.

The aggregate remuneration for NEDs has been set at an amount not to exceed \$1,000,000 per annum after the Shareholders' approval at the general meeting held on 24 May 2018. 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	120,000	60,000
Remuneration and Nomination Committee	18,000	9,000
Audit, Business Risk and Compliance Committee	18,000	9,000

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 the senior executives reporting directly to him are also reviewed by the Committee and approved by the Board. They typically cover targets in respect of safety, permitting, finance, project delivery, investor relations and social responsibility. In addition the senior executives also have personal KPIs appropriate to their areas of responsibility.

The KPIs for the year ended 31 December 2018 were assessed in accordance with the parameters set out in the Remuneration Policy section above. The STI for the Managing Director was based on 100% for corporate and strategic KPIs. The STIs for senior executives of the Managing Director were based on a weighting of up to 60% for corporate and strategic KPIs and the remaining percentage for personal KPIs.

The level of achievement of KPIs is assessed as Threshold, Target or Stretch, whereby the KPI weighting is multiplied by 85%, 100% or 115% respectively. As a result, the KPI outcome may exceed the KPI weighting.

Summary Corporate and Strategic KPI Performance

For the year ended 31 December 2018 the STI corporate and strategic KPI performance outcomes for KMPs were assessed as follows:

KPI Category	Weighting for 2018 %	2018 Outcome %
Safety, Health, Environmental and Community	15	15.0
Financials	27	13.8
Project Progress	28	13.8
Approvals	30	-
Total	100	42.6

Short Term Incentive Award

The remuneration of the Managing Director, Peter Albert, and the Chief Financial Officer, Mike Norris, for the financial year 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 31 December 2018 for which the bonus cost was approved by the Board and paid in March 2019. The cost of the achievements of KPIs for the year ended 31 December 2018 is included as an expense in the financial statements for the year ended 31 December 2018.

LTI PERFORMANCE AND OUTCOMES FOR 2018

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 Remuneration

Details of the nature and amount of each element of the remuneration of each Director and other key management personnel of the Group for the year ended 31 December 2018 are as below:

Year ended 31 December 2018	Short term				Options	Post-employment		Total \$	Performance related %
	Base Salary \$	Fees \$	STI Awards ¹ \$	Other Benefits \$	Share-based Payments \$	Super- annuation \$	Prescribed Benefits \$		
Directors									
Derek Carter	-	117,808	-	-	-	11,192	-	129,000	-
Peter Albert	686,655	-	235,083	229,061 ²	186,906	-	-	1,337,705	14%
Pauline Carr	-	126,000 ³	-	-	-	-	-	126,000	-
Richard Crookes	-	78,000	-	-	-	-	-	78,000	-
Roger Davey (appointed 24 May 2018)	-	36,167	-	-	158,004	-	-	194,171	81%
Jim Dietz	-	69,000	-	-	-	-	-	69,000	-
Owen Hegarty	-	60,000	-	-	-	-	-	60,000	-
Brian Jamieson (appointed 24 May 2018)	-	36,758	-	-	158,004	3,492	-	198,254	80%
Isaac Querub (appointed 5 April 2018)	-	43,218	-	-	158,004	-	-	201,222	79%
Key Management									
Mike Norris	410,540	-	138,748	63,740 ⁴	83,814	-	-	696,842	12%
Total	1,097,195	566,951	373,831	292,801	744,732	14,684	-	3,090,194	24%

¹ The STI awards relate to the achievement of KPIs for the year ended 31 December 2018 for which the bonus cost was approved by the Board and paid in March 2019. The cost of the STI award is included in the financial statements for the year ended 31 December 2018.

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

³ Includes a non-recurring extra exertion payment of \$30,000 awarded by the Board.

⁴ Benefit relates to paid private accommodation.

Details of remuneration for the six months ended 31 December 2017 are shown below:

Six months ended 31 December 2017	Short term			Other Benefits \$	Options	Post-employment		Total \$	Performance related %
	Base Salary \$	Fees \$	STI Awards ¹ \$		Share-based Payments \$	Super-annuation \$	Prescribed 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%
Total	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.

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 year ended 31 December 2018.

Year ended 31 December 2018	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	-	-	-	30,000
Richard Crookes	-	-	-	-	-
Roger Davey (appointed 24 May 2018)	-	-	-	-	-
Jim Dietz	50,000	-	-	-	50,000
Owen Hegarty	-	-	-	-	-
Brian Jamieson (appointed 24 May 2018)	-	-	-	-	-
Isaac Querub (appointed 5 April 2018)	-	-	-	-	-
Key Management					
Mike Norris	-	-	-	-	-

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:

Year ended 31 December 2018	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	-	-	(1,500,000)	1,000,000	1,000,000	-
Peter Albert	4,820,654	2,992,287	-	-	7,812,941	-	7,812,941
Pauline Carr	1,000,000	-	-	-	1,000,000	1,000,000	-
Richard Crookes	-	-	-	-	-	-	-
Roger Davey (appointed 24 May 2018)	-	1,000,000	-	-	1,000,000	1,000,000	-
Jim Dietz	1,000,000	-	-	-	1,000,000	1,000,000	-
Owen Hegarty	-	-	-	-	-	-	-
Brian Jamieson (appointed 24 May 2018)	-	1,000,000	-	-	1,000,000	1,000,000	-
Isaac Querub (appointed 5 April 2018)	1,000,000	1,000,000	-	-	2,000,000	1,000,000	1,000,000
Key Management							
Mike Norris	3,250,703	1,341,778	-	-	4,592,481	2,000,000	2,592,481

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 year ended 31 December 2018 other than those disclosed above.

OPTIONS AFFECTING REMUNERATION

The terms and conditions of options granted during the year ended 31 December 2018 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	08/06/18	2,992,287	31/12/25	\$0.062	\$1.29	\$186,906	-	-	\$186,906
Pauline Carr	-	-	-	-	-	-	-	-	-
Richard Crookes	-	-	-	-	-	-	-	-	-
Roger Davey (appointed 24 May 2018)	08/06/18	1,000,000	30/06/21	\$0.158	\$1.29	\$158,004	-	\$158,004	-
Jim Dietz	-	-	-	-	-	-	-	-	-
Owen Hegarty	-	-	-	-	-	-	-	-	-
Brian Jamieson (appointed 24 May 2018)	08/06/18	1,000,000	30/06/21	\$0.158	\$1.29	\$158,004	-	\$158,004	-
Isaac Querub (appointed 5 April 2018)	08/06/18	1,000,000	30/06/21	\$0.158	\$1.29	\$158,004	-	\$158,004	-
Key Management									
Mike Norris	08/06/18	1,341,778	31/12/25	\$0.062	\$1.29	\$83,814	-	-	\$83,814
Total		7,334,065				\$744,732	-	\$474,012	\$270,720

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 fixed remuneration), or other minimum severance benefits set by Spanish law, as applicable.

The Board 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% was applied to Mr. Albert's annual base salary. As a result, Mr. Albert's annual base salary increased from €426,341 per annum to €434,868 per annum. During the year ended 31 December 2018 Mr. Albert's total fixed remuneration was therefore €434,868 (\$686,655). No other changes were made to Mr. Albert's base salary or to his short term or long term variable performance based incentives during the year ended 31 December 2018.

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 \$1,000,000 per annum after the Shareholders' approval at the general meeting held on 24 May 2018. 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 fixed salary. With effect from 1 January 2018, a salary adjustment has been made to Mr. Norris's annual base salary, resulting in an increase from €250,000 per annum to €260,000 per annum. During the year ended 31 December 2018 Mr. Norris's total fixed remuneration was therefore €260,000 (\$410,540). No other changes were made to Mr. Norris's base salary or to his short term or long term variable performance based incentives during the year ended 31 December 2018.

LOANS TO DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

There were no loans to Directors or other key management personnel during the year ended 31 December 2018 (six months ended 31 December 2017: nil).

VOTING AND COMMENTS MADE AT THE COMPANY'S NOVEMBER 2018 ANNUAL GENERAL MEETING

Highfield Resources Limited received more than 98.76% of "yes" votes on its remuneration report for the financial year ended 31 December 2018. 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:

	Year ended 31 December 2018	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
Loss per share (cents)	(1.28)	(0.14)	(2.22)	(3.42)	(4.38)	(4.12)
Share price (at period end)	\$0.64	\$1.03	\$0.96	\$1.38	\$1.48	\$0.58
Share price High for the reporting period	\$1.13	\$1.20	\$1.49	\$2.04	\$2.08	\$0.68
Share price Low for the reporting period	\$0.48	\$0.82	\$0.90	\$1.03	\$0.52	\$0.33

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 'PA', written in a cursive style.

Peter Albert

Managing Director and Chief Executive Officer

Pamplona, Spain
28 March 2019

FINANCIAL REPORT

Consolidated Statement of Profit or Loss
and Other Comprehensive Income

Consolidated Statement of Financial
Position

Consolidated Statement of Changes in
Equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial
Statements

Directors' Declaration

Auditor's Independence Declaration

Independent Auditor's Report





Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

	Note	31 December 2018 (12 months) \$	31 December 2017 (6 months) \$
Continuing Operations			
Revenue - interest received	19	-	7,470
Gain on foreign exchange		3,239,906	1,933,428
Listing and share registry expenses		(76,612)	(89,762)
Professional and consultants' fees	3	(978,464)	(424,910)
Employee costs		(1,853,979)	(1,141,015)
Share-based payments expense	18	(1,200,804)	(314,606)
Travel and accommodation		(74,257)	(54,564)
Donations		(190,391)	(65,579)
Depreciation	9	(90,095)	(60,392)
Impairment of deferred exploration and evaluation expenditure	10	(2,785,316)	-
Other expenses		(110,379)	(259,731)
Interest paid	19	(109,441)	-
Loss before income tax		(4,229,832)	(469,661)
Income tax expense	5	-	-
Net loss for the period		(4,229,832)	(469,661)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		3,955,046	1,898,112
Other comprehensive income for the period net of tax		3,955,046	1,898,112
Total comprehensive (loss)/income for the period		(274,786)	1,428,451
Loss per share			
Basic loss per share (cents)	6	(1.28)	(0.14)
Diluted loss per share (cents)	6	(1.28)	(0.14)

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 2018

	Note	31 December 2018 \$	31 December 2017 \$
Current Assets			
Cash and cash equivalents	7	55,157,707	65,576,728
Other receivables	8	1,042,187	789,292
Total Current Assets		56,199,894	66,366,020
Non-Current Assets			
Investments		-	5,525
Other receivables	8	69,076	70,899
Property, plant and equipment	9	121,566	154,996
Deferred exploration and evaluation expenditure	10	105,421,745	94,090,220
Total Non-Current Assets		105,612,387	94,321,640
Total Assets		161,812,281	160,687,660
Current Liabilities			
Trade and other payables	11	2,653,731	2,674,217
Total Current Liabilities		2,653,731	2,674,217
Total Liabilities		2,653,731	2,674,217
Net Assets		159,158,550	158,013,443
Equity			
Issued capital	12	172,618,930	172,399,841
Reserves	13	27,783,985	22,628,135
Accumulated losses	14	(41,244,365)	(37,014,533)
Total Equity		159,158,550	158,013,443

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

Six months ended 31 December 2017	Issued capital \$	Accumulated losses \$	Share-based payments reserve \$	Foreign exchange translation reserve \$	Option premium reserve \$	Total \$
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 year						
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 year	-	(469,661)	-	1,898,112	-	1,428,451
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
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
Year ended 31 December 2018						
Balance at 1 January 2018	172,399,841	(37,014,533)	19,809,466	2,817,669	1,000	158,013,443
Total comprehensive loss for the period						
Loss for the period	-	(4,229,832)	-	-	-	(4,229,832)
Other comprehensive income - foreign currency translation	-	-	-	3,955,046	-	3,955,046
Total comprehensive loss for the period	-	(4,229,832)	-	3,955,046	-	(274,786)
Transactions with owners in their capacity as owners						
Conversion of options	225,000	-	-	-	-	225,000
Cost of issue	(5,911)	-	-	-	-	(5,911)
Share-based payment	-	-	1,200,804	-	-	1,200,804
Balance at 31 December 2018	172,618,930	(41,244,365)	21,010,270	6,772,715	1,000	159,158,550

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Note	31 December 2018 (12 months) \$	31 December 2017 (6 months) \$
Cash flows from operating activities			
Payments to suppliers and employees		(3,125,453)	(1,634,017)
Interest (paid)/received		(109,443)	7,470
Other receipts including GST/VAT received		740,234	383,249
Net cash used in operating activities	7	(2,494,662)	(1,243,298)
Cash flows from investing activities			
Purchase of plant and equipment		(57,130)	(6,608)
Payments for exploration and evaluation expenditure		(11,449,984)	(4,666,667)
Net cash used in investing activities		(11,507,114)	(4,673,275)
Cash flows from financing activities			
Proceeds from conversion of options		225,000	-
Payments for share issue costs		(5,911)	-
Net cash provided by financing activities		219,089	-
Net decrease in cash and cash equivalents		(13,782,687)	(5,916,573)
Cash and cash equivalents at the beginning of the period		65,576,728	69,559,873
Effect of exchange rate fluctuations on cash		3,363,666	1,933,428
Cash and cash equivalents at the end of the period	7	55,157,707	65,576,728

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



Notes to the Consolidated Financial Statements

for the year ended 31 December 2018

1. CORPORATE INFORMATION

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

Highfield is a company limited by shares domiciled and 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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Highfield Resources Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

b) Compliance Statement

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") at 31 December 2018 and at 31 December 2017 in the comparative period.

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 inter-company balances and transactions, income and expenses and profit and losses resulting from inter-company transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered.

d) Foreign Currency Translation

i) Functional currency

The functional currency for each entity in the Group is the currency of the primary economic environment in which that entity operates. For the Australian entities, including Highfield Resources Limited, this is Australian dollars. For the Spanish subsidiary this is Euros.

ii) Transactions and balances

Transactions denominated in other currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currency are retranslated at year end exchange rates.

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 the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

iii) Presentation currency

The Group's financial statements are presented in Australian dollars. On consolidation, income statement items for each entity are translated from the functional currency into Australian dollars at average rates of exchange where the average is a reasonable approximation of rates prevailing on the transaction date. The Consolidated Statement of Financial Position items are translated into Australian dollars at period end exchange rates.

e) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director. The Group has identified a single segment focused on development of potash mines in Spain. All of the Group's activities are interrelated and financial information is reported to the Managing Director in this manner.

f) 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) exploration 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.

g) 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 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.

h) 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 taxation authority. 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.

i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j) 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.

k) 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.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

l) 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.

m) 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.

n) Revenue

The company currently has no contracts with customers.

Interest income is recorded using the effective interest method.

o) 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.

p) Share-based payment transactions

i) Equity settled transactions:

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

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the 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.

q) 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 judgement in determining whether future economic benefits are likely either from future development 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.

r) New and amended standards adopted by the Group

The Group adopted the following new or revised accounting standards in the period.

- AASB 15 Revenue from Contracts with Customers was adopted by the Group with effect from 1 January 2018. However, as the Group currently has no contracts with customers, there was no material impact on the Group's current period results or restatement of previously reported financial results; and

- AASB 9 Financial Instruments was adopted by the Group with effect from 1 January 2018. There was no impact of adoption given the company does not hold derivatives or financial assets subject to the requirements of the new standard. Expected credit losses on receivables are also not material.

Adoption of these standards has not resulted in a material impact on the Group's current period results or restatement of previously reported financial results.

The Group's accounting policy in relation to revenue has been updated as outlined in note 2(n) above.

s) New standards and interpretations not yet adopted

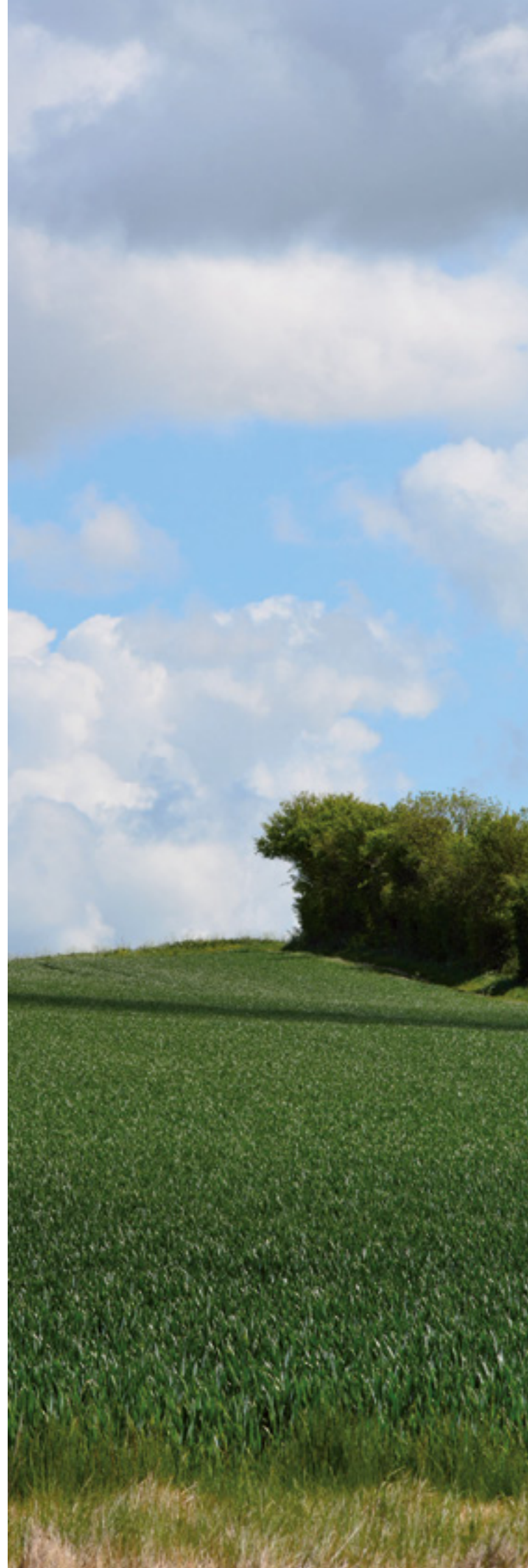
Certain new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been early adopted by the Group. The Group's assessment of the impact of these standards and interpretations is set out below.

- *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 2018 (12 months) \$	31 December 2017 (6 months) \$
--	---------------------------------------	--------------------------------------

3. EXPENSES

Professional and consultants' fees		
Consulting and Directors' fees	(742,467)	(302,622)
Corporate advisory fees	(77,102)	(39,079)
Legal fees	(52,004)	(29,680)
Other	(106,891)	(53,529)
	(978,464)	(424,910)

4. AUDITORS' REMUNERATION

The auditor of Highfield Resources Limited is PricewaterhouseCoopers Australia "PwC" (2017: HLB Mann Judd)

Amounts received or due and receivable by the parent auditor for:		
- an audit or review of the financial report	38,000	30,000

Remuneration of other related entities of "PwC" (2017: Bové Montero y Asociados, an affiliate firm of HLB Mann Judd)

Amounts received or due and receivable by the subsidiary auditor for:		
- an audit or review of the financial report	29,062	30,036
	67,062	60,036

5. INCOME TAX

a) Income tax expense

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

31 December 2018 (12 months) \$	31 December 2017 (6 months) \$
---------------------------------------	--------------------------------------

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

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the applicable tax rate prevailing in the countries in which the Group operates as follows:

Loss from continuing operations before income tax expense	(4,229,832)	(469,661)
Tax calculated at domestic tax rates applicable to profit/(losses) in the respective countries	(1,268,950)	(129,157)
Share-based payments	170,807	86,517
Non-deductible expenses	117,232	19,166
Net income tax benefit not brought to account	980,911	23,474
Income tax expense	-	-

c) Deferred tax

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

Losses available to offset against future taxable income	13,335,397	9,189,951
Net deferred tax asset not recognised	13,335,397	9,189,951

d) Unused tax losses

Unused tax losses	44,451,323	33,418,005
Potential tax benefit not recognised at the domestic tax rate in the respective countries	13,335,397	9,189,951

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.

31 December 2018 (12 months) \$	31 December 2017 (6 months) \$
---------------------------------------	--------------------------------------

6. LOSS PER SHARE

Loss used in calculating basic and diluted EPS	(4,229,832)	(469,661)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share	329,399,387	329,225,003
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	329,399,387	329,225,003

There is no impact from 43,749,618 options outstanding at 31 December 2018 (31 December 2017: 51,007,221) 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 2018 and the date of completion of these financial statements.

31 December 2018 \$	31 December 2017 \$
------------------------	------------------------

7. CASH AND CASH EQUIVALENTS

Reconciliation of cash		
Cash at bank	55,157,707	65,576,728
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(4,229,832)	(469,661)
<i>Non-cash and non-operating items in operating loss after tax</i>		
Share-based payments	1,200,804	314,606
Net gain on foreign exchange	(3,239,906)	(1,933,428)
Impairment of deferred exploration and evaluation expenditure	2,785,316	-
Depreciation	90,095	60,392
<i>Change in assets and liabilities</i>		
Decrease in trade and other receivables	537,759	412,299
Increase in trade and other payables	361,102	372,494
Net cash used in operating activities	(2,494,662)	(1,243,298)

31 December 2018
\$

31 December 2017
\$

8. OTHER RECEIVABLES

	31 December 2018 \$	31 December 2017 \$
Current		
GST receivable	43,629	39,686
VAT receivable	367,744	80,660
Other	630,814	668,946
	1,042,187	789,292
Non-current		
Guarantees	69,076	70,899
	69,076	70,899

GST/VAT receivable and other receivables are non-interest bearing and generally receivable on terms between 30 and 45 days. 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.

9. PROPERTY, PLANT AND EQUIPMENT

Cost	614,213	533,543
Accumulated depreciation and impairment	(492,647)	(378,547)
Net carrying amount	121,566	154,996
Movements in Plant & Equipment		
Opening balance	154,996	203,378
Additions	49,125	6,608
Net exchange differences on translation	7,540	5,402
Depreciation charge for the period	(90,095)	(60,392)
Closing balance	121,566	154,996

10. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration and Evaluation phase - at cost		
Opening balance	94,090,220	86,742,052
Exploration and evaluation expenditure incurred during the period	10,408,122	5,455,341
Net exchange differences on translation	3,708,719	1,892,827
Impairments	(2,785,316)	-
Closing balance	105,421,745	94,090,220

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.

Impairment expense of \$2,785,316 (2017: nil) was recorded in the current period in relation to Izaga project and represents expenses previously deferred in relation to this project.

31 December 2018
\$

31 December 2017
\$

11. TRADE AND OTHER PAYABLES

Trade payables	1,214,314	844,665
Other payables	40,135	33,789
Accruals	1,399,282	1,795,763
	2,653,731	2,674,217

Trade payables, other payables and accruals are non-interest bearing and generally payable on terms between 30 and 45 days. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

12. ISSUED CAPITAL

a) Issued and paid up capital

Issued and fully paid	172,618,930	172,399,841
-----------------------	-------------	-------------

b) Movements in ordinary shares on issue

	31 December 2018 (12 months)		31 December 2017 (6 months)	
	Number of shares	\$	Number of shares	\$
Opening Balance	329,225,003	172,399,841	329,225,003	172,399,841
Shares issued upon conversion of unlisted options ¹	300,000	225,000	-	-
Transaction costs on share issue	-	(5,911)	-	-
	329,525,003	172,618,930	329,225,003	172,399,841

¹ December 2018

- 250,000 shares were issued upon conversion of unlisted options exercisable at \$0.75, expiring on 30 June 2018.
- 50,000 shares were issued upon conversion of unlisted options exercisable at \$0.75, expiring on 11 September 2018.

December 2017

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

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 \$159,158,550 at 31 December 2018. The Company manages its capital to ensure its ability to continue as a going concern and ultimately 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 43,749,618 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
3,000,000	\$1.29	30 June 2021
7,342,397	\$1.29	31 December 2025
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
43,749,618		

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

The following options were issued during the financial year:

- 3,000,000 options with an exercise price of \$1.29, expiring on 30 June 2021
- 7,342,397 options with an exercise price of \$1.29, expiring on 31 December 2025

The following options lapsed during the financial year:

- 3,100,000 options with an exercise price of \$0.75, expiring on 30 June 2018
- 9,450,000 options with an exercise price of \$0.75, expiring on 11 September 2018
- 750,000 options with an exercise price of \$1.00, expiring on 30 June 2018
- 4,000,000 options with an exercise price of \$1.25, expiring on 30 June 2018

The following options were exercised during the financial year:

- 250,000 options with an exercise price of \$0.75, expiring on 30 June 2018
- 50,000 options with an exercise price of \$0.75, expiring on 11 September 2018

For full details refer to note 18.

f) Summary of options granted under the Long Term Incentive (LTI) Plan

	31 December 2018 (12 months)		31 December 2017 (6 months)	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Opening Balance	\$1.57	51,007,221	\$1.37	51,325,000
Granted	\$1.29	10,342,397	\$1.58	9,162,221
Exercised	\$0.75	(300,000)	\$0.42	(7,700,000)
Lapsed	\$0.82	(17,300,000)	\$0.72	(1,780,000)
	\$1.81	43,749,618	\$1.57	51,007,221
Vested and exercisable at year end	\$1.68	31,975,000	\$1.55	38,845,000

	31 December 2018 (12 months) \$	31 December 2017 (6 months) \$
--	---------------------------------------	--------------------------------------

13. RESERVES

Share-based payments reserve	21,010,270	19,809,466
Foreign exchange translation reserve	6,772,715	2,817,669
Option premium reserve	1,000	1,000
	27,783,985	22,628,135

Movements in Reserves

Share-based payments reserve

Opening balance	19,809,466	19,494,860
Share-based payments expense	1,200,804	314,606
Closing balance	21,010,270	19,809,466

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 year ended 31 December 2018.

Foreign exchange translation reserve

Opening balance	2,817,669	919,557
Foreign exchange translation difference	3,955,046	1,898,112
Closing balance	6,772,715	2,817,669

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.

31 December 2018 (12 months) \$	31 December 2017 (6 months) \$
---------------------------------------	--------------------------------------

14. ACCUMULATED LOSSES

Movements in accumulated losses were as follows		
Opening balance	(37,014,533)	(36,544,872)
Loss for the period	(4,229,832)	(469,661)
Closing balance	(41,244,365)	(37,014,533)

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	2,330,778	1,546,274
Share-based payments	744,732	385,969
Post-employment	14,684	-
Total	3,090,194	1,932,243

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 2018	31 December 2017
KCL Resources Limited	Australia	100%	100%
Geoalcali SLU	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 these risks. The objective is to support the delivery of the financial targets while protecting future financial security.

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 where appropriate 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. The contractual maturities of all trade and other payables are less than 6 months.

a) 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 where appropriate.

The Company holds substantially all of its cash and cash equivalents in Euros, being the primary currency in which it expects to make expenditure for the development of the Muga Mine. In the six months ended 31 December 2017 no interest was charged on Euro balances and \$7,470 was earned on Australian dollar balances. The Company incurred interest charges totaling \$109,441 in the year ended 31 December 2018, reflecting the fact that interest rates on Euro balances are negative.

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 2018 (12 months)	31 December 2017 (6 months)	31 December 2018 (12 months)	31 December 2017 (6 months)
Increase 75 basis points	6,567	14,407	6,567	14,407
Decrease 75 basis points	(6,567)	(7,470)	(6,567)	(7,470)

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 2018, 99% of the Company's cash and cash equivalents were held in financial institutions with a rating from Standard & Poors of AA or above (long term). The Company had no past due or impaired debtors as at 31 December 2018.

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 2018	31 December 2017	31 December 2018	31 December 2017
Euro	2,994,965	2,245,829	54,635,744	63,723,750
US dollars	87,537	58,315	14,047	12,733
GB pounds	55,243	12,277	-	-
Canadian dollars	1,621	170,232	-	-
Total	3,139,366	2,486,653	54,649,791	63,736,483

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.

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 2018		
Profit or loss	5,723,381	(4,682,766)
Other equity	5,723,381	(4,682,766)
31 December 2017		
Profit or loss	6,805,535	(5,568,165)
Other equity	6,805,535	(5,568,165)

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 derivative instruments measured at fair value at 31 December 2017 or 31 December 2018.

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 2018 (12 months) \$	31 December 2017 (6 months) \$
Options granted during the period	626,887	119,318
Options granted in prior periods	573,917	195,288
	1,200,804	314,606

The Company operates an equity incentive plan known as 'Highfield Resources Limited Employee Long Term Incentive Plan' ("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. The fair value at grant date of options granted during the period was determined using the binomial method, as described in note 2(p), 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 year ended 31 December 2018:

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
08/06/2018	30/06/2021	\$1.29	-	3,000,000 ¹	-	-	3,000,000	3,000,000
08/06/2018	31/12/2025	\$1.29	-	7,342,397 ²	-	-	7,342,397	-
			-	10,342,397	-	-	10,342,397	3,000,000

¹ Comprises 1,000,000 options granted to each of the three Non-executive Directors appointed during 2018 as confirmed at the AGM on 24 May 2018. There are no service vesting or performance vesting conditions in respect of these options.

² Represents options granted to the Manager Director, Chief Financial Officer and other employees. The options will vest on satisfaction of the following Vesting Conditions during the three year vesting period commencing on 1 January 2018 and ending on 31 December 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 January each year, to the closing price of the Company's shares at the conclusion of the vesting period, being the 20 day VWAP immediately preceding 31 December 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;

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 year ended 31 December 2018 included:

- a) options were granted for no consideration;
- b) expected lives of the options range from 3.0 to 7.5 years;
- c) share price at grant date ranged from \$0.725 to \$1.005;
- d) expected volatility ranged from 21% to 53%;
- e) expected dividend yield of Nil; and
- f) a risk free interest rate ranging from of 2.09% to 2.20%.

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 ³	-	-	4,832,221	-
13/12/2017	30/06/2024	\$1.85	-	1,500,000 ⁴	-	-	1,500,000	-
			-	6,332,221	-	-	6,332,221	-

³ Comprises 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.

⁴ 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:

c) 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;

(d) 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:

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

19. GEOGRAPHIC SEGMENT ANALYSIS

a) Net interest (paid)/received

	31 December 2018 (12 months) \$	31 December 2017 (6 months) \$
Australia	(109,441)	7,470
Spain	-	-
	(109,441)	7,470

b) Non-current Assets

	31 December 2018 \$	31 December 2017 \$
Australia	-	-
Spain	105,612,387	94,321,640
	105,612,387	94,321,640

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 2018 (December 2017: Nil).

22. DIVIDENDS

No dividend was paid or declared by the Company in the year ended 31 December 2018 or the period since the end of the twelve 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 year ended 31 December 2018.

23. GEOALCALI FOUNDATION

As part of its Community Engagement Program, the Company established a not-for-profit Spanish foundation called the Geoalcali Foundation ("Foundation"). The Foundation is supported exclusively by Geoalcali and since its inauguration in September 2014 has been involved in over 140 community projects.

24. COMMITMENTS

At 31 December 2018, 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 2018 amounted to approximately \$54.5m. The contracts are able to be terminated by the Company at any point in time. The amount payable following termination would be approximately \$1.0m.

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Highfield Resources Limited, at 31 December 2018 and for the year then ended. The information presented here has been prepared using consistent accounting policies with those presented in note 2.

	31 December 2018 \$	31 December 2017 \$
Current assets	55,328,002	65,018,756
Total assets	159,340,261	157,587,556
Current liabilities	(225,440)	(311,507)
Total liabilities	(225,440)	(311,507)
Net assets	159,114,821	157,276,049
Issued capital	172,618,930	172,399,841
Reserves	21,011,270	19,810,466
Accumulated losses	(34,515,379)	(34,934,258)
Total Equity	159,114,821	157,276,049
	31 December 2018 (12 months) \$	31 December 2017 (6 months) \$
Profit of the parent entity	418,878	733,934
Other comprehensive income for the period	-	-
Total comprehensive income of the parent entity	418,878	733,934

Directors' Declaration

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

1. In the opinion of the Directors:
 - a) the financial statements and notes of Highfield Resources Limited for the year ended 31 December 2018 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 2018 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 year ended 31 December 2018.

On behalf of the Board

Peter Albert
Managing Director and Chief Executive Officer



Pamplona, Spain
28 March 2019

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Highfield Resources Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Highfield Resources Limited and the entities it controlled during the period.

Andrew Forman
Partner
PricewaterhouseCoopers

Adelaide
28 March 2019

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report



Independent auditor's report

To the members of Highfield Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Highfield Resources Limited (the Company) and its controlled entities (together 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 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2018
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

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.

PricewaterhouseCoopers, ABN 52 780 433 757
 Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
 T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
<ul style="list-style-type: none"> • For the purpose of our audit we used overall Group materiality of \$1.6 million, which represents approximately 1% of the Group’s total assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group total assets because, in our view, it is the metric against which the performance of the Group is most commonly measured given it is in the exploration and evaluation phase and has no production or sales. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group audit is planned and led by our Group audit team in Australia. Given the Group’s principal operating entity Geocalci and its management and financial reporting function are based in Pamplona in Spain, we engaged component auditors in Spain to perform audit procedures over the financial information of this entity. Audit procedures were performed by the Group audit team over the consolidation process and balances recorded at a Group level. The audit work carried out in Spain, together with the additional procedures performed at Group level, in our view provided sufficient evidence to express an opinion on the Group financial report as a whole. • We ensured that the audit teams both in Australia and Spain had the appropriate skills and competencies.



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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of exploration and evaluation assets (Refer to note 10) \$105,421,745</p> <p>The Group accounts for exploration and evaluation activities in accordance with the policy in note 2 of the financial report.</p> <p>Exploration and evaluation assets are assessed for indicators of impairment by area of interest at each period end. Judgement is required by the Group to determine whether there were indicators of impairment of the exploration and evaluation assets, due to the need to make estimates about future events and circumstances, such as whether the resources may be economically viable to develop in the future.</p> <p>The carrying value of exploration and evaluation assets was considered a key audit matter given the size of the balance recorded on the Consolidated Statement of Financial Position at 31 December 2018 and because the determination of the balance involves significant judgement made by the Group as outlined above.</p>	<p>We performed the following procedures amongst others:</p> <ul style="list-style-type: none"> • Evaluated the Group's assessment that there had been no indicators of impairment during the current period with reference to the requirements of Australian Accounting Standards. • Considered the latest available information regarding the projects through inquiries of management and the directors, including planned expenditure on each area of interest, and inspection of press releases. • Inquired of management and the directors as to whether there had been any changes to, and obtained evidence to support, the Group's right of tenure to the projects. This included considering the licences status, to assess whether the Group retained right of tenure. Where a licence was pending, we confirmed management's expectation of renewal of the licence. Where right of tenure had been allowed to lapse, we tested whether costs associated with that licence had been assessed for impairment. • Tested a sample of current year capitalised expenditure to source documents and considered whether they had been accounted for in accordance with the Group's accounting policy and Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, 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 on the other information that we obtained prior to the date of this auditor's report, 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 the 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.
This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 55 to 67 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Highfield Resources Limited for the year ended 31 December 2018 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 black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Andrew Forman'.

Andrew Forman
Partner

Adelaide
28 March 2019

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 18 March 2019.

DISTRIBUTION OF SHARE HOLDERS

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	194	92,036
1,001 - 5,000	415	1,299,389
5,001 - 10,000	345	2,851,448
10,001 - 100,000	888	30,690,065
100,001- and over	236	294,592,065
Total	2,078	329,525,003

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	135,011,565	40.97
WWB INVESTMENTS PTY LTD	19,283,450	5.85
MR. WARREN WILLIAM BROWN + MRS. MARILYN HELENA BROWN	16,216,550	4.92
DEREK CARTER + CARLSA CARTER <SALAMANCA SUPER FUND>	7,721,504	2.34
BRING ON RETIREMENT LTD	5,400,000	1.64
MR. DANIEL EDDINGTON + MRS. JULIE EDDINGTON	3,870,000	1.17
CELTIC CAPITAL PTE LTD	3,600,000	1.09
MR. CRAIG PETER BALL + MRS. SUZANNE KATHERINE BALL	3,292,384	1.00
CITICORP NOMINEES PTY LIMITED	3,103,611	0.94
MR. MICHAEL ANDREW WHITING + MRS. TRACEY ANNE WHITING <WHITING FAMILY S/F A/C>	2,715,718	0.82
JONERIC PTY LTD	2,701,076	0.82
PETER DAVID FERGUSON PTY LTD. <PD FERGUSON S/F/ A/C>	2,428,000	0.74
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,408,745	0.73
WOOTOONA INVESTMENTS PTY LIMITED	2,150,538	0.65
DORICA NOMINEES PTY LTD	2,150,000	0.65
CRX INVESTMENTS PTY LTD	2,000,000	0.61
MR. BENJAMIN JOHN HAAN <THE HAAN FAMILY A/C>	2,000,000	0.61
KANBAH PTY LTD <KANBAH SUPER FUND A/C>	1,900,000	0.58
HGT INVESTMENTS PTY LTD	1,750,000	0.53
CARINYA INVESTMENTS PTY LTD	1,670,000	0.51
	221,373,141	67.18

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 18 March 2019.

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	31.57%
Ordinary Shares	JP Morgan Nominees Australia Limited	Australian Super Pty Ltd ¹	28/07/2017	16,993,543	5.16%
Ordinary Shares	Various holders	WWB Investments Pty Ltd ¹	08/11/2017	35,500,000	10.77%

¹ Being the Group listed and its associated entities

² The percentages quoted are based on the total voting rights conferred by ordinary shares in the Company as at 18 March 2019 of 329,525,003

UNLISTED OPTIONS

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at \$2.00 on or before 30 June 2019	17,175,000	JAWAF Enterprises Pty Ltd 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 \$1.29 on or before 30 June 2021	3,000,000	Isaac Querub 1,000,000 options; Roger Davey 1,000,000 options; Brian Jamieson 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 \$1.85 on or before 30 June 2024	1,500,000	Isaac Querub 1,000,000 options; Sixto Jiménez 1,000,000 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 \$1.29 on or before 31 December 2025	7,342,397	Sonedala Albert 2,192,287 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

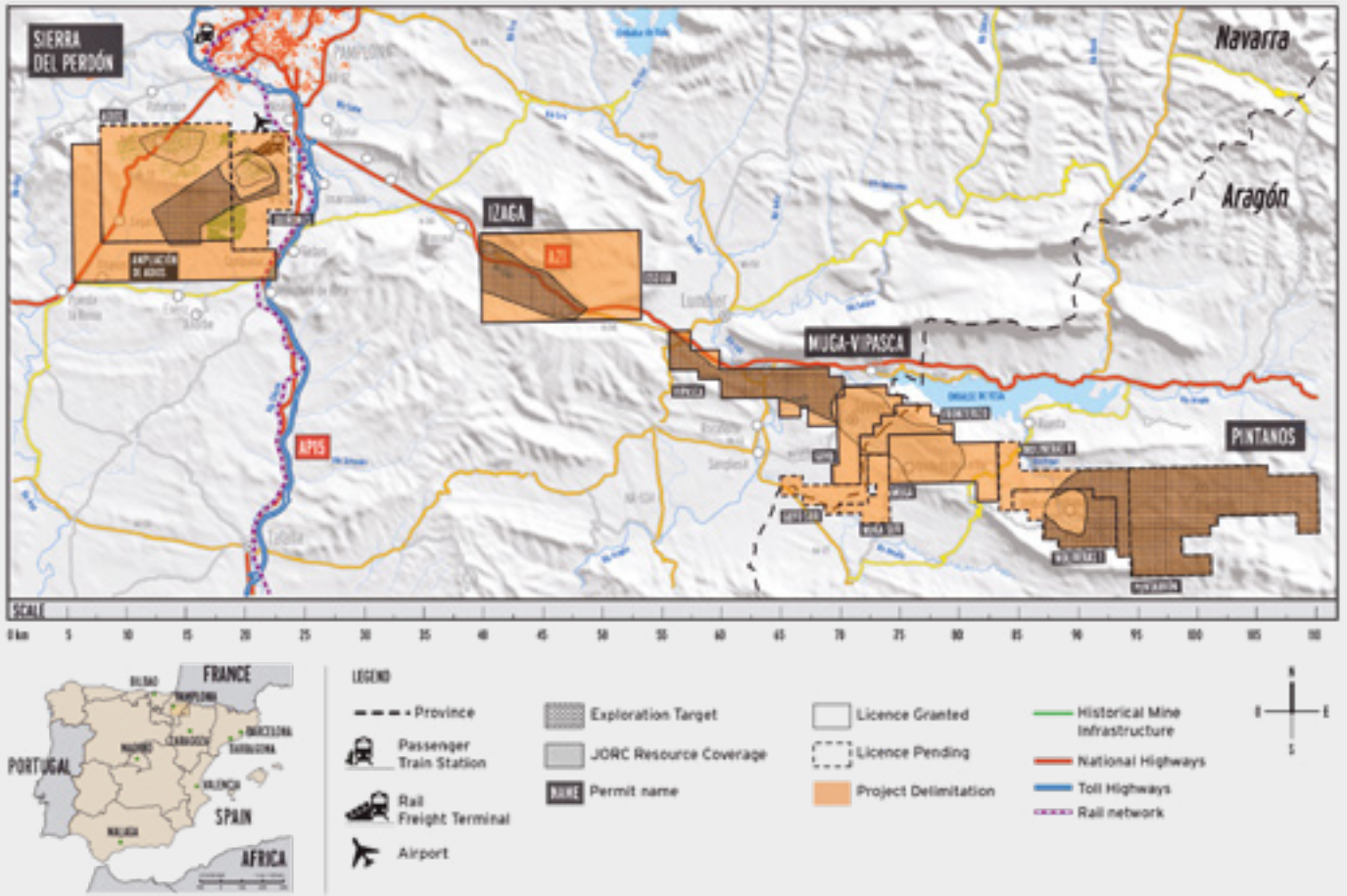
In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the year ended 31 December 2018.

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	Application in process	35760	22,88	Geoalcali SLU	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	Application in process	35770	59,40	Geoalcali SLU	100%
Sierra del Perdón	Navarra	Ampliación de Adiós	Investigation	26/10/2012	14/02/2014	35880	40,90	Geoalcali SLU	100%
							123,18		
Izaga	Navarra	Osquia	Investigation	28/04/2015	12/01/2017	35970	57,42	Geoalcali SLU	100%
							57,42		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	27,30	Geoalcali SLU	100%
							27,30		
Muga	Navarra	Goyo (area under concession process)	Investigation	19/07/2011	24/12/2012	35780	14,79	Geoalcali SLU	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	Application in process	35920	8,96	Geoalcali SLU	100%
Muga	Aragón	Fronterizo (area under concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	8,70	Geoalcali SLU	100%
Muga	Aragón	Fronterizo (area outside concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	1,10	Geoalcali SLU	100%
Muga	Aragón	Muga (area under concession process)	Investigation	29/05/2013	07/04/2014	3500	15,08	Geoalcali SLU	100%
Muga	Aragón	Muga (area outside concession process)	Investigation	29/05/2013	07/04/2014	3500	5,32	Geoalcali SLU	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Application in process	3524	7,28	Geoalcali SLU	100%
							61,23		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18,20	Geoalcali SLU	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Application in process	3495/20	16,80	Geoalcali SLU	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Application in process	3510	30,24	Geoalcali SLU	100%
							65,24		
						Total	334,37		

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 judgement 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 FOR MUGA POTASH PROJECT

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 report that relates to Ore Reserves is based on information prepared by Dr. Mike Armitage, the Chairman of SRK Consulting (UK) Limited. Dr. Mike Armitage is the Competent Person who assumes overall professional responsibility for the Compliance Opinion. The information in this report that relates to Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Ms. Anna Fardell, Senior Consultant at SRK Consulting (UK) Limited, and Mr. Tim Lucks Principal Consultant at SRK Consulting (UK) Limited.

Dr. Mike Armitage is employed by SRK Consulting (UK) Limited. The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled under the direction of Dr. Mike Armitage, who is a Member the Institute of Materials, Metals and Mining ("IMMM") which is a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the Australian Securities Exchange ("ASX") from time to time.

Dr. Mike Armitage has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Dr. Mike Armitage consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Ms. Anna Fardell is a Resource Geologist employed by SRK Consulting (UK) Limited, and has at least five years' experience in estimating and reporting Mineral Resources relevant to the style of mineralisation and type of deposit described herein. Ms. Fardell is a registered member of the Australian Institute of Geoscientists (6555) and considered a Competent Person (CP) under the definitions and standards described in the JORC Code 2012.

Ms. Anna Fardell consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

COMPETENT PERSON STATEMENT FOR MINERAL RESOURCES AND EXPLORATION TARGETS OTHER THAN THE MUGA POTASH PROJECT

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 report that relates to Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Mr. José Antonio Zuazo Osinaga, Technical 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 organisation to which Competent Persons (CP) under JORC 2012 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 mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as CP as defined in the 2012 edition of the JORC Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr. José Antonio Zuazo Osinaga and Mr. Manuel Jesús Gonzalez Roldan consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

