

HIGHFIELD RESOURCES LIMITED



# Annual Report

31 December 2020

[highfieldresources.com.au](http://highfieldresources.com.au)

ABN 51 153 918 257





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# Corporate Directory

## Directors

### Mr. Richard Crookes

Independent Non-Executive Chairman

### Ms. Pauline Carr

Independent Non-Executive Director

### Mr. Roger Davey

Independent Non-Executive Director

### Mr. Brian Jamieson

Non-Executive Director

### Mr. Isaac Querub

Independent Non-Executive Director

## Company Secretary

### Ms. Katelyn Adams

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## Share Registry

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## Auditor

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**Facsimile** +61 8 8218 7999

## Stock Exchange

Australian Securities Exchange  
(Home Exchange: Perth, Western Australia)

**ASX Code** HFR





# Chairman's Letter

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"We are well prepared to advance through financing and into construction once the Mining Concession is received and I look forward to talking next year about the positive progress we will have made in 2021."

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Dear Shareholders,

It has been a challenging year for many reasons, but as I write this letter, I am extremely optimistic about the immediate and long-term potential of your Company.

Of course, we have had to deal with a global pandemic and the frustrating wait for the award of a Mining Concession for our Muga Potash Project, however, the future looks bright. We have a new CEO, our employees remain safe, healthy and motivated, and we believe 2021 will see us awarded a Mining Concession, raise the development capital for Muga and commence construction.

On the first point, the most significant event of the year for me was the recruitment of Ignacio Salazar as your new CEO. We were fortunate to complete interviews before any travel lockdowns were imposed and the Board was delighted that Ignacio was prepared to join us amidst the ensuing Covid-19 related chaos. Ignacio hit the ground running on 20 July 2020 following a seamless transition and he and his family have now been residents of Pamplona for over six months and are settling in well. I cannot over emphasize how important it is for the Company to have a Spanish CEO of Ignacio's calibre to take us forward into construction and production and we are fortunate to have such a strong and experienced leader for our business.

Spain was particularly hard-hit by the arrival of Covid-19 across Northern Europe. A State of Alarm was enacted on 14 March 2020, which resulted in the closure of our Pamplona office and all staff working remotely until the end of July. There were, and continue to be, obvious operational challenges, but fortunately, everyone remains well, and the team has reacted very positively to the new working environment, involving reduced office numbers on rotation, with increased separation in the office, coupled with mask-wearing and other personal safety measures. From the relative safety and low impact of the virus in Australia, it is often difficult to fully appreciate the challenges faced by most of the world caused by such an unprecedented pandemic. Our continued thanks go out to all our employees and their families for continuing to support each other, work hard and retain an optimistic spirit during these times.

We lodged our Mining Concession documentation to all three relevant approval Authorities on 13 March 2020, expecting a roughly six-month approval timeline. However, Covid-19 did cause some delays to the Government approval process and further, we were requested to endure another unexpected 30-day Public Exposition of the Restoration Plan, which commenced in July 2020. The public review period for the documentation concluded at the end of August, with relatively few questions and requests made and no new material matters raised. The Government formally requested additional information based on the public exposition, divided into five sections, which has now been provided. The Company has done everything that it possibly can in a timely manner to secure a positive approval and the ball is now entirely in the court of the approval Authorities. We are disappointed that the Mining Concession has not yet been awarded but remain extremely optimistic that it will be approved soon.



We are well prepared to advance through financing and into construction once the Mining Concession is received and I look forward to talking next year about the positive progress we will have made in 2021.

Continuing on from last year our upbeat outlook for global potash demand remains. I am pleased to re-affirm our view that the potash sector continues to be an attractive place to invest, with current growth in consumption reflected by recent increases in the MOP price. The European MOP price premium over other markets remains, supporting our thesis on Muga being one of the best and most favourably located projects in the world. Market experts continue to predict improved pricing over the next couple of years as we move into production.

Thank you for your ongoing support.



**Richard Crookes**

Chairman

30 March 2021



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“I am pleased to re-affirm our view that the potash sector continues to be an attractive place to invest.”

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# CEO's Letter



Dear Shareholders,

This is my first letter as CEO of Highfield. I joined the Company at the end of July 2020 with gratitude for the confidence the Company put in me and aware of the responsibility and the challenge in front of us. We are approaching a critical milestone when the Company moves from a period dominated by the permitting process into the exciting moment when we start building the Muga Mine and get us to production. I fully share the anxiety that many shareholders feel and so I plan to get us to that point as soon as possible.

We achieved our objectives in all areas of the Muga Project that were in our control in 2020. We are ready with the engineering, sales, and financial aspects of the project. Most of the permitting work is also behind us. Since I joined, I gradually got to know and deal with the Spanish authorities more frequently and the effort we are putting in now is, with no doubt in my mind, making a difference. In the meantime, the staff, the Board and contractors are taking austerity measures to protect the Project and defend the Company. Furthermore, we have recently been pleasantly surprised by a very thorough Social Baseline study prepared by the Navarran Government which endorses the substantial benefits of the Muga Project in the community. We expect to see the final stage of the permitting process closed soon and the Company moving into a very different phase.

Muga is a Tier 1 project. The mineralization is shallow, with no need of a shaft to reach it and there are no aquifers above it. There is great infrastructure already in place in the region including motorways, an electricity substation next to the mine and the deep water port of Bilbao at 200km from our Project. Most importantly, the mine is located in the heart of a European agricultural region with clear deficit in potash supply. We are currently less than 40 people in the Company, and we plan to get to 800. Our ESG credentials are world class, especially on the environmental side, as we are building a mine which will leave zero residues. Hopefully, we are also entering a phase of increasing potash prices globally.

We cannot wait to see the Muga Project in place and producing. We are transforming the Company in the process. Growth is the essence of any junior mining company, and this is just the beginning.

I want to thank shareholders for their support and confidence and wish, Covid-19 permitting, we can meet soon.

A handwritten signature in blue ink, which appears to be 'Ignacio Salazar'. The signature is fluid and cursive, with a long horizontal stroke at the end.

**Ignacio Salazar**

Chief Executive Officer

30 March 2021













# Sustainability Report

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[Goals and Targets](#)

[2020 Highlights](#)

# CEO Letter

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For me, joining the Company last year, it is very clear ESG is an integral part of our business.

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Dear Shareholders,

In a particularly strange and unpredictable year, we have heard more voices than ever calling on all industries to diligently integrate ESG factors into their business model. For a small company like Highfield, this is however its sixth Sustainability Report on environmental, social and governance factors (ESG). For me, joining the Company last year, it is very clear ESG is an integral part of our business. This is a crucial moment for Highfield. The Company is moving from a period dominated by the permitting process into the exciting moment when it starts building the Muga Project to get to production. The Company and the project have very strong fundamentals to build upon.

On environmental matters, Highfield is already a pioneer in its approach to waste management. The Muga Potash Mine has been designed under the premise of zero waste. I wonder how many mines, and for that matter, any other economic activities, can say that. The common practice to deal with these waste materials in the industry is to dispose them on heaps or in tailings ponds. Although this practice is generally accepted and permissible in most countries, expectations for a more sustainable treatment are growing within the public. In the Muga Project, Highfield will be backfilling such waste materials in the mine and will be implementing a new method for mechanical backfilling of dewatered potash waste. This method can achieve a significantly higher backfill density than backfill placed with traditional methods. During the year we finalised the engineering of our backfilling process, a key investment in R&D that guarantees compliance with the highest environmental standards whilst setting a benchmark in the mining sector in terms of waste management. In addition to backfilling, Highfield will be upgrading waste material into vacuum salt and de-icing salt to be commercialized.

In a broader sense, when looking at the Sustainable Development Goals set up by the United Nations, the Muga Project is our opportunity to play a significant role in the global fight to eradicate hunger, through the production of potash for fertilisers. Smart fertilisation of soils is essential to address the ever-decreasing arable land and the growing population of the planet. Intrinsic to our business, Highfield contributes to Sustainable Development Goal (“SDG”) 2 of Eradicating Hunger, and also to other SDGs including SDG 8, Decent Work and Economic Growth, SDG 9, Industry, Innovation and Infrastructure, and SDG 15, Life on Land. These SDGs are aligned with our strategic objectives and our vision of creating a sustainable, profitable, safe business with the utmost respect for the environment and our stakeholders.

Regarding social aspects, this unusual year has given us the opportunity to continue working closely with our local communities by assisting them during the coronavirus crisis. One noteworthy example has been the personal contribution of our staff through donations to communities and front-line organisations. This initiative, called Stop Covid, has managed to reach more than eleven towns in the area of the Muga Mine, helping over 10,000 inhabitants with Personal Protective Equipment donations and disinfection materials. Throughout the year, we continued engaging with local communities through our corporate volunteering initiatives.

In terms of relations with our Government stakeholders, we are delighted to have recently received the independent report published by the Government of Navarra on the Social Baseline in the region, and its conclusions about the positive social impact of the Muga Project. We welcome the rigour and energy





**Ignacio Salazar**  
Chief Executive Officer

that went into producing this study and the proactiveness of the Government of Navarra in undertaking this initiative early in the process. At the same time, we appreciate the endorsement of the Government of Navarra of the socio-economic contributions of Muga and look forward to working together with the Government, local communities and all interested parties to get the Muga Mine into production for the benefit of all stakeholders.

Uncertainty presents challenges for every organisation. Highfield is about to embark on a major growth journey. With our values of Commitment, Respect, Excellence and Attitude, our strong ESG focus and a high-quality project like Muga, we are ready to create a robust and sustainable potash business.

We thank you all for your support as we make this Project become reality for the benefit of all our stakeholders.

**Ignacio Salazar**  
Chief Executive Officer

# About this Section

This section highlights all ESG activities carried out during 2020 by Highfield Resources Limited (the “Company” or “Highfield”) and its Spanish subsidiary Geocalcali SLU (“Geocalcali”), together “the Group”.

This section is a summarised version of the Company’s Sustainability Report 2020 that has been prepared in accordance with the GRI Standards: Core option. 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. Additionally, as a signatory member to the United Nations Global Compact, this report also sets out the information required by the Communication on Progress guidelines of Global Compact reporting initiative.

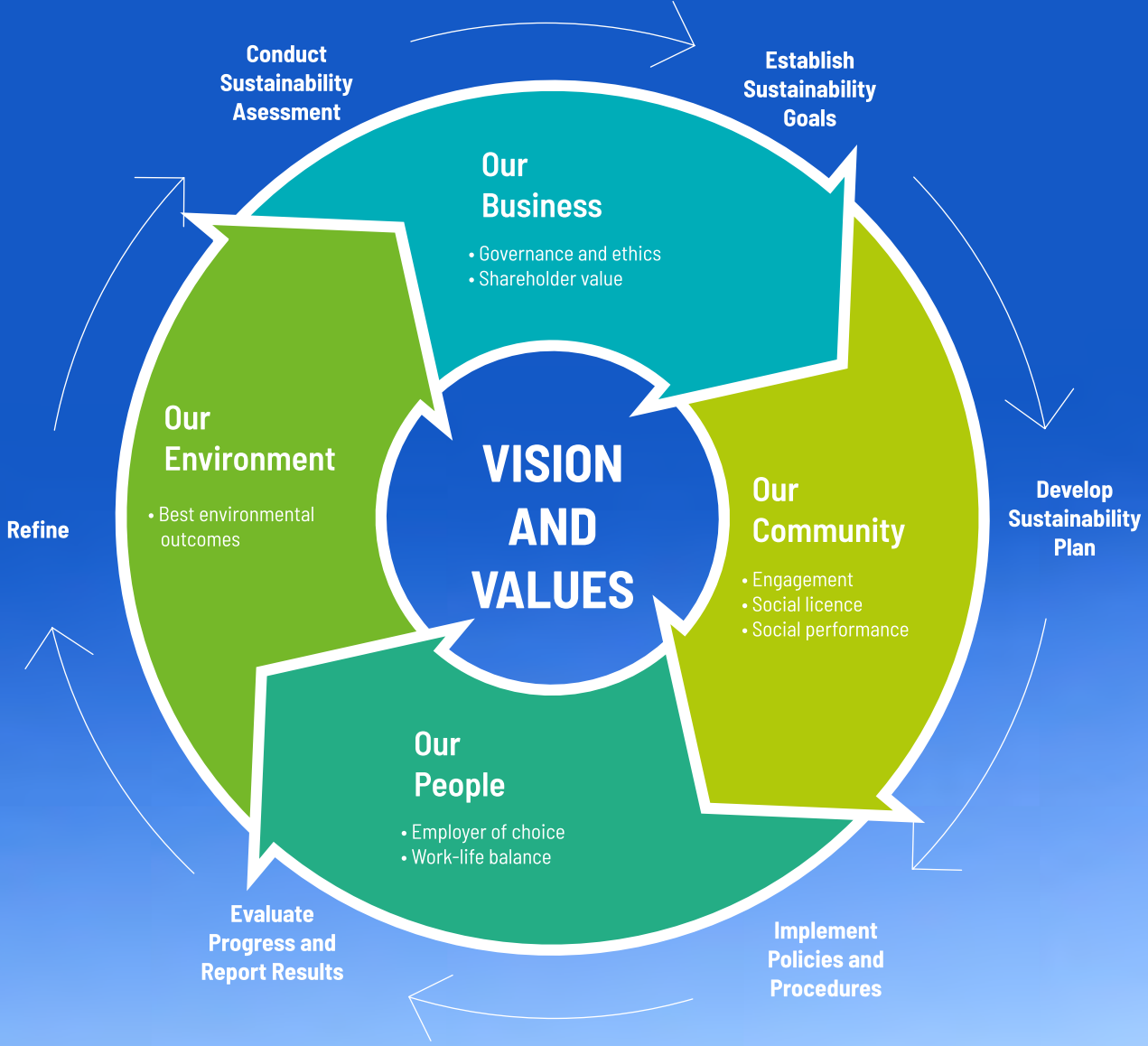
The Group is committed to sustainable practices and is carrying out a number of actions to align its processes and policies with international guidelines as part of its strategy to build a resilient and robust project. The Group remains supportive of the Sustainable Development Goals (SDGs), which seek to encourage measures to build a sustainable world. We continue to work towards this vision by committing to implement a large project with integrated initiatives that contribute to those objectives, with special emphasis on our social and natural environment. In this sixth report, our stakeholders will have the opportunity to review the Group’s performance and to contact us with suggestions or comments with the aim of improving our accountability and transparency commitments. During this exceptional year, we also wanted to speak directly with our local stakeholders to better understand if our sustainable approach is meaningful. In this report, readers will have the opportunity to listen directly to this important stakeholder group. At the same time, the report highlights our performance in the four key areas that make up our Sustainability Framework: **Our Business, Our Environment, Our People, and Our Community**.

The Group has revised its internal and external analysis to refine material topics relevant to the business and its stakeholders. The Group has engaged actively with all stakeholders and continued monitoring relevant events. In addition, relevant sustainability trends that affect the business have been considered and included in our analytical processes to determine and define strategies to minimise negative impacts and at the same time maximise opportunities to deliver positive effects.

Results from this analysis establish the commitments and goals which are backed up by specific systems and detailed processes that are monitored during the year. This process allows the Group to continuously improve in each of the four key areas.



# Sustainability Framework





# Exemplifying the Sustainable Mining Paradigm

We are currently living in the era of green transition towards a low carbon economy which requires metals and other minerals. Potash is also necessary to achieve this goal, key for fertilisers which optimise the use of land, water consumption, thus addressing a food security issue. At the same time, in order for such transition to succeed, minerals must be mined and processed in a sustainable and environmentally friendly way, such as Muga's potash mineral.



# Potash 'The Fertiliser Mineral' and its Contribution to Fighting Climate Change

The International Fertilizer Association (IFA) has shown that mineral fertilisers can play a part in mitigating and adapting to, climate change, when their use follows best practices in the four areas of nutrient management (source, rate, time and place). Correct fertiliser use helps by:

- contributing to plant growth;
- increasing soil carbon sequestration;
- enhancing crop resilience;
- enhancing water use efficiency;
- reducing nutrient losses to the environment; and
- stalling deforestation.

Primary crop production has been identified among the eight materials responsible for greenhouse gas (GHG) emissions, water use and land use. Fertilisers are critical to optimising this impact especially with the global population expected to reach 9.7 billion people by 2050 (Food and Agriculture Organization of the United Nations), which means the agricultural sector must increase productivity by an estimated 60% compared with 2005 to meet an increasing global demand in food (Alexandratos and Bruinsma 2012). Global food security is not achievable without fertilisers.

A study by CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS): "Fertiliser use and soil carbon sequestration: trade-offs and opportunities", shows that use of mineral fertiliser enhances carbon sequestration in agricultural soils, thus contributing to the fight against climate change. According to the IFA, soils can store up to 50-300 tonnes of carbon per hectare, which is equivalent to 180-1,100 tonnes of CO<sub>2</sub>.



Primary crops need fertilisers to optimise water consumption and land use.



The use of fertilisers reduces agricultural land use by 20%.



89% of agriculture's future mitigation potential (maximised by smart fertiliser use) is based on soil carbon sequestration.

## EIGHT MATERIALS ARE RESPONSIBLE FOR:

Steel, aluminium, plastic, cement, glass, wood, primary crops and cattle



### Of these materials:



**Implementing circular economy measures in these areas can help address climate change, water and land use challenges**

# Vision and Values

The vision of the Group is encompassed by its core values CREA, Commitment, Excellence, Respect and Attitude, which form the basis of the eight principles of our Sustainable Roadmap outlined below:

The Group's vision is "To build a successful, sustainable, potash business with respect for stakeholders and the environment".



Compromiso Respeto Excelencia Actitud  
**CREA**  
 Commitment Respect Excellence Attitude

**1**

Integrate an ethical management that considers risk analysis to guarantee the best results for our stakeholders

**2**

Adopt best practices in health and safety with the aim of guaranteeing the protection of our employees and our communities

**3**

Ensure the best environmental results, optimising energy use and the responsible management of resources

**4**

Encourage the participation and communication of our communities to ensure that their expectations and needs are considered

**5**

Uphold the principles of diversity to ensure that equality is part of our corporate culture

**6**

Look for continuous improvement through measurement mechanisms with the aim of achieving excellence in all our activities

**7**

Always act with integrity, honesty and equanimity with all our stakeholders

**8**

Adopt an approach that is consistent with our vision and corporate values in our decision-making processes, as the main drivers to generate value and a sustainable outcome



## The Holistic Approach of our Business

During 2020, the Government of Spain issued a Roadmap for the Sustainable Management of Mineral Raw Materials for public consultation. The Spanish mining industry submitted a response highlighting that according to studies undertaken in this field, a tonne of mineral raw material extracted and processed in Spain meets significantly more SDGs and generates lower CO<sub>2</sub> emissions than a tonne from almost anywhere else in the world, where extraction and processing is most likely carried out under legislation less stringent than that of the European Union, in terms of environmental protection, health and safety, and human rights.

It also stated that production in less regulated countries has a higher environmental cost (CO<sub>2</sub> footprint, among others) and higher economic costs derived from transport to end users, as opposed to European producers with high environmental standards that target domestic markets. In this context, Muga Mine's location close to a high consuming European potash market means its supply chain has a low environmental impact.

In addition, since its inception, the Company has maintained a high standard of Environmental, Social and Governance performance through the implementation of a broad range of initiatives aimed at minimizing negative impacts of its operations, maximising their positive impacts, and contributing actively to the achievement of the UN's SDGs. As well as optimising its interaction with stakeholders, the Group considers its corporate sustainability strategy is a critical factor for success in everything we do.

This responsible approach helps us address every aspect that is key for a successful outcome for an enduring business like Muga. The Group has incorporated international sustainability guidelines that help us assess and measure our performance and are aligned with our strategic goals.

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“Our society needs to ensure a responsible supply chain. For that, we must understand the traceability of the minerals that form part of the products we consume. The Muga potash will be produced in a manner that ensures the highest social and environmental standards, fully aligned with the UN's Sustainable Development Goals.”

**Ignacio Salazar**

Chief Executive Officer  
of Geocalci and Highfield  
Resources

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## Why Muga is an ESG 'Top in Class' Mine

Muga Mine is the only room and pillar potash mine in the world that targets zero residue on surface at the time of mine closure.



All of our suppliers must carry out sustainability assessments and comply with our local buy policy.



We are committed to contributing to national and local economies. More than 60% of our purchases are from local suppliers.



Muga is the only mining project in Spain that has undertaken a voluntary Public Participation Process that has been recognised regionally and nationally as a social Best Practice in the mining industry.



Geoalcali is the first junior potash mining company to become a signatory to the UN Global Compact initiative.



All our processes are optimised and have been designed in alignment with circular economy principles.





# Our Commitment to the Sustainable Development Agenda

## No Poverty

Mina Muga will generate wealth for several decades at a time of great social transformations in labour matters, especially in times when economies have been hit by Covid. Muga will generate direct and indirect jobs in a highly depopulated region.



## Zero Hunger

The worldwide shortage of arable land is a real problem, driven by rapid population growth and increasing demand for food. Our Project will contribute with potash for fertilisers, key for agriculture and food production for generations to come.



## Gender Equality

The Group is conscious of the importance of fighting for fundamental rights, dignity and the value of the human person as well as the equal rights of women and men. It also takes work-life balance measures to help achieve equality.



## Clean Water and Sanitation

At Muga, all of the water from the production process will be reused in the production process itself or eliminated by evaporation.



## Affordable and Clean Energy

In relation to energy efficiency and minimising the impact of energy consumption, we are committed to prioritising the consumption of electricity from renewable sources.



## Decent Work and Economic Growth

Muga will be one of the main industrial engines generating employment in the area and will provide an important socio-economic boost, creating quality jobs and opening up future opportunities for the population.



## Reduced Inequalities

We are committed to initiatives that promote quality education and actions that have an impact on reducing social inequality. This is one of the cornerstones of our social work through our Foundation.



## Sustainable Cities and Communities

We strive for greater sustainability and high performance mining by promoting innovation, research and investment in technology in both extraction and product development.



## Responsible Consumption and Production

The entire production process is based on sustainable and optimised criteria. In addition, Geocalci promotes awareness campaigns on responsible consumption both externally and internally. For the Company, social awareness begins with the Company itself.



## Climate Action

Environmental protection and the monitoring and management of the environmental impacts of our activities are fundamental to the Company, which strives to position itself as a sustainable producer, including environmental protection measures in all aspects of the life cycle of each Project.



## Life on Land

From the outset, the Company has put in place the necessary preventive measures to protect habitats and biodiversity, carrying out several flora and fauna studies to choose the most suitable location.



## Partnerships for the Goals

Throughout the life of the Project, we will strive to deliver on the key commitments we have made to all our stakeholders.

In addition, we will continue to seek partnerships to raise awareness and contribute to the SDGs.





# Goals and Targets

## Strategic Objectives

Strategic Objective	Material Topics	Environmental SDGs					
1 To secure all necessary environmental, construction and operating permits.	①	●	●	●	●	●	●
2 To build and to successfully operate the first phase of the Muga Mine (0.5 Mtpa MOP).	② ④ ⑤ ⑥ ⑦ ⑧	●	●	●	●	●	●
3 To develop the plans and financing for the second stage of the Muga Mine (to 1 Mtpa MOP).	④ ⑦ ⑩	●	●	●	●	●	●
4 To build, operate and maintain a high level of workplace health and safety.	② ⑤	●	●	●	●	●	●
5 To conduct our business with regard to all environmental regulations and best practice.	⑥ ⑧ ⑨ ⑩	●	●	●	●	●	●
6 To work diligently with the various communities close to the mine to optimise our social performance and thereby secure and maintain support for our Project.	③ ⑤ ⑥ ⑦ ⑧ ⑪ ⑫	●	●	●	●	●	●
7 To work with the various government departments and regulators in a transparent and engaging manner to secure their trust and enable them to supervise our activities appropriately.	③ ⑤ ⑥ ⑦ ⑧ ⑩ ⑪ ⑫	●	●	●	●	●	●
8 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.	② ③ ⑤ ⑥ ⑧ ⑨ ⑬	●	●	●	●	●	●
9 To comply fully with all pertinent legislation.	④ ⑤ ⑥ ⑧ ⑨ ⑩	●	●	●	●	●	●
10 To develop plans and studies for the potential implementation of future projects within the Group's current tenement holding.	② ③ ⑤ ⑥ ⑧ ⑨	●	●	●	●	●	●
11 To become the employer of choice within our sector and environment.	① ④ ⑦ ⑪	●	●	●	●	●	●
12 To return value to our shareholders.	① ② ③ ④ ⑤ ⑥ ⑦ ⑧ ⑨ ⑩ ⑪ ⑫ ⑬	●	●	●	●	●	●

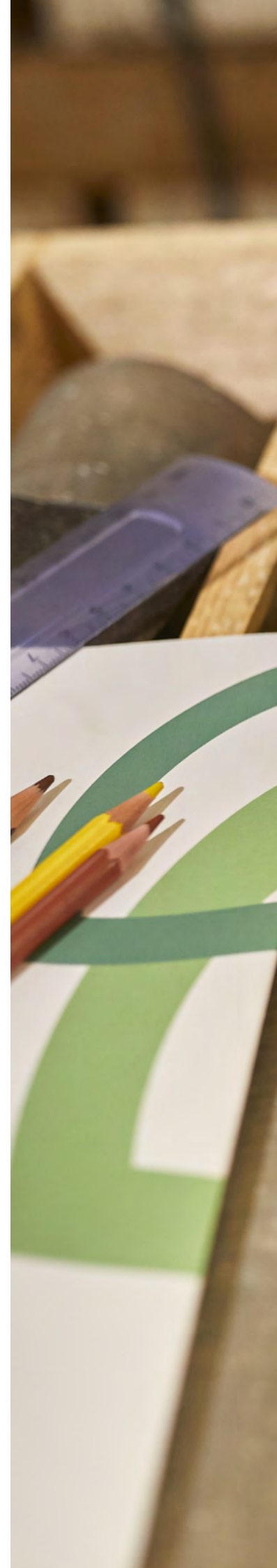
The SDGs are a useful framework created by the United Nations to help companies understand how their activity impacts on the international Sustainable Development Agenda, while the UN Global Compact provides a universal language for corporate responsibility reporting. The Group believes that adopting the UN's universal language for corporate responsibility will contribute to transparency and accountability with all its stakeholders and has aligned its own strategy to the SDGs with the aim of contributing positively to the achievement of these goals. Additionally, the Company continues to assess different frameworks in its search for a globally coherent solution for sustainability disclosure standards in line with the Company's progress and maturity. The Group has revised its internal and external analysis to refine material topics relevant to the business and its stakeholders. This work also included a new analysis to define the interrelation of these material topics and their impact on the SDGs.

Employee / Worker SDGs						Community / Society SDGs				
1 NO POVERTY	4 QUALITY EDUCATION	8 DECENT WORK AND ECONOMIC GROWTH	5 GENDER EQUALITY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
		●						●		
●	●	●	●	●	●	●	●	●		●
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		●			●					●
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# Material Topics

<p><b>1.</b> Receipt of Necessary Permits</p> 	<p><b>2.</b> Ensure Employee Health and Safety</p> 	<p><b>3.</b> Governance</p> 
<p><b>4.</b> Wealth Creation</p> 	<p><b>5.</b> Prioritise Health and Safety in the Community</p> 	<p><b>6.</b> Water Management</p> 
<p><b>7.</b> Generation of Quality Employment</p> 	<p><b>8.</b> Waste Management</p> 	<p><b>9.</b> Restoration of the Area</p> 
<p><b>10.</b> Climate Change</p> 	<p><b>11.</b> Community Involvement</p> 	<p><b>12.</b> Sustainable Local Development</p> 
<p><b>13.</b> Project Feasibility</p> 		







# 2020 Highlights

## Our Business

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### Muga Mine, at the Forefront of Sustainability

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### Progress in 2020

Muga Project engineering and design progressed significantly in all areas:

- the mine, including the declines to the mineralization;
- the processing plant and surface facilities; and
- the tailings dewatering and backfilling systems.

Additionally, purchase commitments have been made for key long lead items, notably the miner bolter. All of this progress puts the Company in a position to proceed with the Project as soon as the required permitting is granted. The Company continued engaging with all permitting authorities although Covid-19 related restrictions in Spain have made the process slower than expected. Another significant step was the appointment of Endeavour Financial as debt financial advisor to help move forward with Highfield's financing strategy.

The Company adjusts its organization and timelines as necessary to respond to changes in circumstances. We are conscious that the long term success of our business requires changes in one area that often have impacts in other. The ability to model asset and resource performance, identify alternatives, and understand the sensitivities of various parameters to adjustments, is therefore critical to achieving our goals and ultimately our vision.



## Analysis from a Circular Economy (CE) Perspective

A circular economy is an economic system aimed at eliminating waste and minimising the use of resource inputs through a closed-loop system where waste materials become inputs for other processes. This regenerative approach is in contrast to the traditional linear economy, which has a “take, make, dispose” model of production.

The Company’s approach to waste management has been considered from a broad perspective, including environmental, social, and economic factors. Muga’s waste management strategy has been carefully designed to fulfil the circular economy objectives as it involves converting part of the waste salt from the potash production process into saleable salt by-products and the remainder into a backfill used to fill underground mining voids. The environmental benefits will include a substantial reduction in the storage of waste on the surface during the operations phase, including an improved visual impact, and the complete elimination of surface waste by the close of operations. The salt by-product sales will generate an additional economic benefit and allow the conversion of a waste product into a productive raw material for use in various industries. The backfilling will provide improved control of underground convergence and minimise the potential surface subsidence, an additional environmental and social benefit.

Backfilling is the most recommended strategy for minimising tailings in the industry. The dry backfilling process developed by the Company has the added advantage that it avoids the use of cement as a binding additive to achieve the consistency required of a backfill. Compared with wet backfilling, which requires the addition of cement, this means approximately 172,000 fewer tonnes per year of cement being used. The dry backfilling also requires less water in the process.

The Muga backfilling process system has been developed with K-Utec AG Salt Technologies, an expert in waste management and backfilling technology, whose vision is also committed to the new sustainable mining paradigm.

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Muga’s waste management strategy has been carefully designed to fulfil the circular economy objectives

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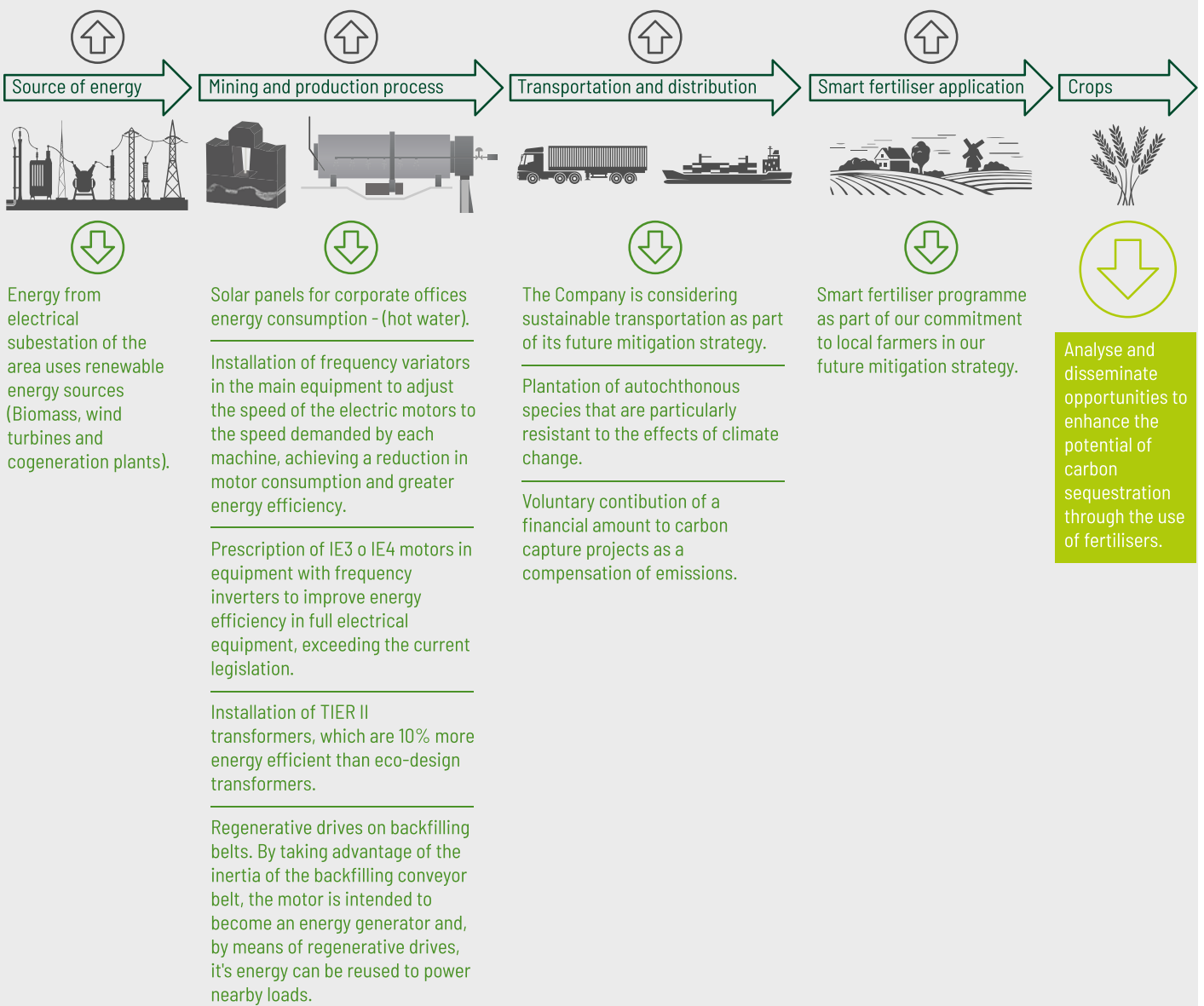




# Opportunities to Tackle Climate Change

The Company recognises that it is necessary to develop a carbon mitigation strategy and, in parallel, to establish the broad principles, responsibilities and practices that will be used to manage the Company's climate change risk exposure from an operational, governance and risk management perspective. This is in line with the principles of the Environmental and Social Management Policy embedded in the Code of Business Conduct and Ethics. The approach contributes positively to the achievement of a number of SDGs, mainly SDG 13 Climate Action. An early climate change risk assessment approach aims to identify and mitigate the potential impacts the climate change may have on the Group's assets.

An internal team is working on the definition of a comprehensive risk assessment for Muga's full value chain as well as developing a future roadmap towards carbon neutrality.



**Monitoring and Disclosure:** Voluntary calculation and communication of the actual Carbon Footprint once the mine is in operation.

- Carbon sequestration
- Greenhouse gas emissions
- Mitigation capability

Figure: Initial assessment to define comprehensive strategy roadmap towards carbon neutrality

## Corporate Governance as a Cornerstone for Sustainability

The Board of Directors of Highfield Resources continues to set high standards for the Company's employees, officers and Directors. It is the Board of Directors' duty to ensure the management and representatives of the Company's business behave in a manner that aligns with the Company's high standard of ESG performance.

The Group periodically reviews its policies and procedures and suggests changes to ensure high ethical standards continue to be met. This year Geoalcali became a signatory to the Global Compact UN initiative and therefore a natural consequence was the alignment of the policies in the Group's Code of Business Conduct and Ethics with the Sustainability Development Goals as part of its commitment to the international Sustainable Development Agenda.

This year's review of policies and procedures suggested enhancements in the Whistleblower Policy to include legal requirements derived from the Australian Corporations Act 2001. The Company also strengthened its anti-corruption and whistleblower protocols in its Integrated Management System. In addition, the Group incorporated a conflict of interest procedure for managers and Directors, and launched a Code of Business Conduct and Ethics training programme for all staff members. All of these measures are designed to contribute to transparency and assurance of the team's ethical performance. The Board has also recently approved a Climate Change Risk Management Policy. The policy sets out the broad principles, responsibilities and practices that will be used to manage the Company's climate change risk exposure from an operational, governance and risk management perspective. It is in line with the principles of the Environmental and Social Management Policy embedded in the Code of Business Conduct and Ethics. The policy also contributes positively to the achievement of a number of Sustainable Development Goals (SDGs) notably SDG 13 Climate Action.

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The Group periodically reviews its policies and procedures and suggests changes to ensure high ethical standards continue to be met.

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# Our Environment

## Our Performance Today

Organisations should take a lead in solving environmental issues and there are good financial reasons why businesses should commit to doing so. There is therefore an opportunity to achieve environmental benefits while also improving their business reputation and decreasing costs. The Group considers that this approach has the potential to contribute substantially towards government targets, especially now that the European Green Deal plan is to make the EU's economy more modern, resource-efficient and competitive.

### Training and Awareness:

Since its inception, the Group has believed that environmental awareness campaigns are fundamental so that the daily activities of its employees, suppliers and consultants are informed by this awareness.

One of the training initiatives during the year was a comprehensive training for all staff members on the requirements of the environmental permit or Declaración de Impacto Ambiental (DIA) awarded on 31 May 2019. Other training activities included:

- Awareness campaign on the importance of recycling; and
- Celebration of Green Week to raise awareness primarily on biodiversity and mining activity impacts.

### Environmental performance:

The Group has a firm commitment to reducing its environmental impact and accordingly a set of indicators and mechanisms are in place to monitor the Company's performance during drilling activities.

The Company is not yet engaged in mining operations but is preparing a new set of monitoring systems encompassed in Geocalci's Environmental Monitoring Programme.

The Company monitors:

- Environmental accidents and incidents;
- Environmental awareness campaigns;
- Water usage in mining exploration;
- Amount of soil disturbed and subsequently rehabilitated;
- Use of toxic substances in mining exploration;
- Energy consumption in workplaces, vehicles and exploration drilling works;
- Drilling muds generated in mining exploration work; and
- Hazardous and non-hazardous waste generated in mining exploration work.

There were no significant drilling activities during 2020.

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**Committed to Reducing  
Our Environmental  
Impacts**

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**Environmental  
Grievances:**

**ZERO**  
environmental  
incidents and  
accidents reported  
in 2020

# Our Plan

Highfield Resources is committed to an overall reduction in our environmental footprint by creating and implementing stewardship systems across our sites, operations and communities. As part of the Mining Concession process the Company continued the detailed integration of the mine plan suggestions arising from the DIA. In parallel, Geoalcali continued working with engineering contractors in the preparation of detailed environmental elements to be implemented in the design that will be required for the construction permit phase.

**REDUCTION OF SPACE OCCUPIED**

- Incorporating the use of renewable energy sources.**
- Protecting Cultural Heritage**  
Locating our facilities without affecting the Camino de Santiago or towns or tourist spots.
- Improvements in Water Management**  
Reuse of salt water in the process plant and backfilling.
- ZERO Residues**  
The only potash mine in the world that will leave no residue on surface after closure.
- Mine Closure**  
Ensure proper and full reclamation.
- Circular Economy**  
Production of salt as a saleable by-product thereby reducing surface waste material. Reusing the excavated earth to construct noise and visual barriers.



## Our Community

### Our Response during the Covid-19 Pandemic

The Group remained committed to helping external stakeholders during the Covid-19 pandemic as part of our ongoing daily communication and consultation with the wider communities of interest (COI) in which we operate. The Group launched a Stop Covid solidarity initiative comprising donations of 25,000 face masks and disinfectant for community streets as well as cash donations to frontline associations fighting the virus including Red Cross ambulances and cleaning companies. Donations were made by Geoalcali, the Geoalcali Foundation, and directly by staff.

**“Companies have responsibilities beyond just their employees and shareholders. Society needs us to act with a greater involvement, purpose, coherence, and sense of ethics and of community in the problems that concern us all.”**

Richard Crookes, Highfield Chairman, speaking at at #UnitingBusiness & CEOs Taking Action, a UN Covid-19 Response Initiative.

### Continuing our Efforts in Becoming a Member of the Community



Stop Covid has managed to reach more than eleven towns in the area of the Muga Mine, helping over 10,000 inhabitants with Personal Protective Equipment donations and disinfection materials.

## Reinforcement of our Buy Local Commitment

The influence of an organisation on the local economy goes beyond the direct jobs it generates and the payment of wages and taxes. An organisation can attract additional investment indirectly for the local economy if it supports local businesses through its supply chain. Therefore, the Group reinforced its commitment with a Buy Local Policy to generate a positive economic impact at the local level. This policy encourages, within its workforce, as well as with contractors and subcontractors, the search for qualified local suppliers with the aim of contributing to the development of a stable local economy. Currently the Company has engaged with more than 850 suppliers with an overall investment of over €53 million since 2014, of which nearly two thirds have been Spanish suppliers.

The Company is also registering interested local suppliers in its procurement database which is checked when considering a new tendering process. This policy has been communicated via a local magazine to smaller suppliers in Muga's COI.

Suppliers:

38% 62%



■ International ■ Spanish





## The Geocalci Foundation

The Foundation continued its activity with key programmes as a continuation of ongoing initiatives with the communities to continue its strategic vision to promote:



### Quality education

The Geocalci Foundation is very aware of the importance of quality education. This year the Foundation supported the incorporation of the Glenn Doman Method, a pioneering teaching method for the youngest students. This method was implemented in Sos Del Rey Católico's public nursery Babyteca which the Foundation continues supporting. At secondary level, the Foundation supported an inclusion programme aimed at the integration of disadvantaged students through workshops bringing them closer to the labour market.

For adults, the E-learning programme continues to be carried out in the surrounding towns of Cinco Villas in Aragón, facilitating access to training in languages and digital topics.



The Company participates in several educational initiatives to promote STEM careers and knowledge of our business.

## M<sup>a</sup> José Navarro Lafita, Mayoress of Sos del Rey Católico (Aragon)

M<sup>a</sup> José Navarro Lafita is also President of the Mancomunidad Altas Cinco Villas (Public Services entity of the area). A teacher by profession, she is also Head of the Educational Programmes Unit of the Provincial Education, Culture and Sport Service of Zaragoza. She has been Mayoress of Sos del Rey Católico for the PSOE party since 2014 and chairs the Mancomunidad Altas Cinco Villas, which brings together most of the town councils of the Val D'Onsella.

**Can you tell us more about Sos del Rey Católico and what the arrival of Mina Muga would mean for the region?**

*"Sos was an essential border between kingdoms and the vestiges of its history can be visibly seen in its rich urban, artistic and cultural heritage. It is a beautiful town that stands as an essential tourist destination and today struggles with the difficulties of the Covid-19 pandemic and its impact on the local economy, problems that are added to the already existing ones of ageing, depopulation and social alienation from rural culture. The arrival of Muga Mine in the region would represent an opportunity for the future of the whole area. Muga is currently the only major economic project in the Altas Cinco Villas region that can generate wealth and jobs, which are essential for the settlement of the population contributing to life projects of rural inhabitants."*

**Do you consider that the Company is making sufficient efforts in environmental, social and good governance matters?**

*"Yes, from the beginning of the relationship, when they personally explained the project to us at the town hall, I could appreciate the willingness to integrate into the territory, to explain the characteristics and details of Muga Mina to the local authorities and the population in general. **We have been regularly informed of the evolution of the project over time and its progress in the administrative process, with a constant concern to improve the project in environmental matters and opening processes of citizen participation to receive suggestions.**"*

*The Company's collaboration in local projects of general interest, through the Geocalcali Foundation, allows the development of socio-cultural actions that enrich the quality of life of the population."*

## LISTENING TO THE COMMUNITY



**M<sup>a</sup> José Navarro Lafita**  
Mayoress of Sos del Rey Católico



Communities in Aragón receive Stop Covid initiative donations.



Company's second hand laptops donations.



## Sustainable Development

Muga's communities are highly depopulated and have an aging population. Nonetheless, these communities could attract newcomers if general services were improved. The Foundation has participated in initiatives to improve mobility of neighbours in terms of accessibility and safety. The Foundation has promoted a transport service in Undués de Lerda to facilitate mobility of residents around nearby towns. This transport service makes it easier for children to travel to schools in other towns, and for the villagers, especially the older ones, to go to neighbouring towns to do their shopping or their medical visits.

The Foundation has actively participated in various initiatives throughout Muga's COI, many of which have received awards and recognitions as sustainable initiatives.

### **Juan Arboniés, Mayor of Undués de Lerda (Aragon)**

Undués de Lerda maintains its medieval character intact. Its cobbled streets and houses ooze history. Today, there are barely more than fifty residents, a number that has been much lower, but which has been maintained thanks to the efforts of neighbours such as its current mayor, Juan Arboniés.

#### ***Do you consider the Company is doing all the necessary to engage with the community?***

*"I understand that the Company is undertaking efforts in this, but I think it's never enough, especially concerning is the fact that it takes so long for the Muga Project to get underway."*

#### ***In your opinion, what will Muga signify to this region?***

*"Due to the depopulation that dates to the 60s, this region is doomed to disappear, which is why the **Muga Mine gives hope because of the creation of jobs and therefore the renaissance of the villages in this region. This will help reverse things done incorrectly and return to the situation before the 60s.**"*

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## LISTENING TO THE COMMUNITY

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## Ricardo Murillo Delfa, Mayor of Liédena (Navarra)

Liédena is one of the most important villages of Muga's COI with around 300 inhabitants. In recent years, Liédena has recovered waste deposit areas and converted them into recreation sites, such as the Mirador de la Súbita, and has promoted leisure activities that are difficult to find in larger towns. Much of the credit goes to its current mayor, Ricardo Murillo, a lover of his town.

### How has Geocalcali helped this community?

*"Speaking locally as Liédena Town Council, through the Geocalcali Foundation, we initially had great help with an environmental recovery project (let's hope that all the permits and times go well so that everything follows its course and that the Geocalcali Foundation supports another large-scale project such as the one mentioned above). The Geocalcali Foundation and the Council of Liédena have always been collaborating in different smaller projects of different kinds such as social projects, in support of the problem of depopulation, the elderly, cultural projects, etc. with which both the Council of Liédena and the Geocalcali Foundation have won awards and recognition for these projects."*

## LISTENING TO THE COMMUNITY



**Ricardo Murillo**  
Mayor of Liédena



Mayor of Liédena receives disinfectant product donation.

*"I think Muga Mine could be a project that attracts newcomers to this area and therefore services. As with any major project of this magnitude, it is logical and necessary to have all the guarantees, and we know from information both in person and by correspondence that this is being carried out with all the requirements requested by the Administration."*

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## LISTENING TO THE COMMUNITY

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### **M<sup>a</sup> Eugenia Pérez, President of the Council of Rocaforte (Navarra)**

María Eugenia is at the head of this small town in the region of Sangüesa which, according to many, is a treasure trove for history lovers. This council of barely 40 inhabitants is an unmissable rendezvous with the origins and splendour of the Old Kingdom of Navarre. In Rocaforte is the Hermitage of Saint Bartholomew, in whose restoration the Geocalci Foundation collaborated, and within its cobbled walls a small children's playground has been built, also with the help of the Foundation, a symbol of the future to which the head of this beautiful corner of Navarre looks with optimism.

#### ***What would the arrival of Mina Muga in the region mean?***

*"An important socio-economic boost that opens up future opportunities for the Sangüesa region and will lead, among other things, to the creation of many jobs and the settling of the population. Geocalci is also committed to and collaborates with programmes aligned with educational quality, social integration, sustainable communities and the environment managed by local entities."*

#### ***Do you consider that the Company makes sufficient efforts in terms of environmental protection and community involvement?***

*"The Company's obtaining of the different administrative authorisations for the opening of the mine is a guarantee of safety and rigorous compliance with environmental and protection regulations. In addition, the Company has always reiterated its commitment to the environment and sustainability."*



Rocaforte receives facemasks and desinfectant for the village streets.







## Entrepreneurship

The Geocalci Foundation has actively participated in the Entrepreneurial Programme of CEIN, a Navarra public entity to boost entrepreneurship. During the programme, seven entrepreneurs were mentored, providing them with all the tools and appropriate training aimed at each one of them to turn their initial idea of a “future business” into a real and viable project.



CEIN's Entrepreneurial Programme launch event.



### Knowledge of our business

The Geoalcali Foundation has participated in the European Heritage Days by giving a talk on mining heritage and creating the network of Organik Gardens. The first one has been installed in the town of Javier. Through it, the properties of potash and the importance of the consumption of local products has been explained. All the local residents are involved in the maintenance of the garden.

The Company also sent an anonymous survey to key leaders of Muga's COI to understand how the Company is perceived in the community with regards to its sustainable approach.

Results from this survey show that communities are interested in learning more about the Group's performance. Community leaders also ranked material topics expressing special interest in Quality Job Creation and also Safety and Wealth Creation.

### LISTENING TO THE COMMUNITY

**ZERO**  
Grievances  
Reported

**Are you interested in learning about our commitment to sustainability and our performance?**

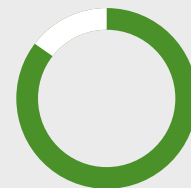
**100%**



■ No ■ Yes

**How would you rate the company's efforts to engage with the community?**

**83.3%**



■ Positive ■ Negative ■ Neutral







## Our People

### Cultivating Human Capital

The Group is conscious of the importance of creating a work environment where employees feel valued, respected and engaged. During this particularly strange time of a pandemic, the Company has continued to reinforce the relevance of its “Living Values” programme with the objective that our core values of Commitment, Respect, Excellence and Attitude serve as a guide in a difficult situation. Connected remotely by our on line communication systems, all staff participated in different activities with the aim of increasing teambuilding and resilience.

The Geoalcali team showed special sensitivity by making personal contributions to solidarity causes to help communities and frontline workers fight the battle against Covid-19.

### Safety Always First

At a very early stage, when Covid-19 cases were being reported from Italy, the Company established a subcommittee of its crisis management team to meet regularly and to proactively enact health and safety measures and inform the workforce. An action protocol was implemented before the Spanish lock down began, in order to prevent contagion. This protocol is a living document continuously updated as the pandemic progresses. The Company provided the necessary materials to all workers to prevent Covid-19 outbreaks. In addition, the entire workforce has been trained and informed about the risks of the coronavirus, ways the contagion spreads, symptoms and methods of prevention. The office was adapted for a return to work in July in safe conditions to prevent an outbreak within the team. To date, the Company has not suffered any outbreak.

The Company successfully completed a programme for an improved preventive safety culture based on “Human and Organisational Performance (HOP)” delivered by Prevencontrol, that started in 2019.

There were no accidents related to the work activities of either our own staff or contractors. There was only one minor incident of a fall from a bicycle on the way home from work, which required medical assistance from a local healthcare clinic, but was classified as a minor incident without sick leave.

### Enhanced safety measures in the Muga Project

The team continuously supervises the construction execution plan that is being drawn up with the help of engineering/consulting firms, to check that all the health and safety standards and regulations are being complied with, and to provide workers with a safe environment and ensure that accident-free activity can be carried out in the mine’s operational phase.

In addition, coinciding with the last months of the detailed engineering development phase, a Health and Safety Coordinator has been hired, in accordance with the Spanish mandate RD 1627/1997, to coordinate health and safety matters with all the engineering companies involved in the design, in order to plan the construction of the project with high safety standards, in compliance with the regulations.



## A Digital Office

The Group maintained productivity and prioritised health and safety during all phases of the pandemic. The corporate offices were originally set up with a high level of digitalisation taking into account the nature of the team's work. As such, the Company was able to operate remotely ahead of the general alarm and lockdown being raised in Spain on 14 March 2020.

## Continuing our effort in Work-Life Balance and Diversity Inclusion

As part of the Company's vision of working towards inclusiveness in the workforce, it has defined a work-life balance plan to be implemented in 2021. Geoalcali's commitment to a good work-life balance, which comprises work, family and personal life has enabled the Company to renew permanently the Reconcilia Seal, promoted by the Association of Women Entrepreneurs and Managers of Navarra (AMEDNA).

## Number of Employees

Year	Female	Male
2019	13	22
2020	12	23

## Employee Hire and Turnover

During 2020 four employees left the Company and four new team members have joined.

## ESG Training

The Group is conscious that considering ESG matters will help prevent risks in the short term whilst raising awareness on risks facing business and society in the long term. The Company organised a training course to increase awareness on all the Company's policies comprised in the Code of Ethics and Business Conduct. Additionally, the Company organised a session to explain the main sustainability megatrends that affect the mining sector and how to take action in the achievement of the SDGs and the Sustainable Development Agenda. The EU has stated that its main sustainability challenge for the coming decade is to decouple its economic development from environmental degradation and overcome the remaining social inequalities. The EU aims to be a global trailblazer in the sustainability transition and set the bar high for a green and inclusive economy as expressed in its ambitious European Green Deal.

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"A positive team culture and attitudes have allowed us to survive and flourish in this unusual but difficult work environment thus maintaining efficiency and productivity."

**Richard Crookes**

Chairman of Highfield Resources

(Interim CEO at the time the Covid-19 crisis was declared)

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# 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 2020.

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 Resource and Ore Reserve 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 the 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. Richard Crookes

**Independent Non-Executive Chairman (and Acting Chief Executive Officer from 1 February to 20 July 2020), 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. Peter Albert (resigned 31 January 2020)

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

Mr. Albert is a metallurgist and chartered engineer and has over 30 years' experience in project management, general management and operations management in mining and minerals processing in Australia, Africa and Asia.

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 his resignation, 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 trained as an accountant and currently is a professional non-executive director and provides business improvement, compliance, risk management, project management and corporate governance solutions to executive management teams. 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 Chairman of National Pharmacies Limited and the South Australian Minerals and Energy Advisory Council. In the three years immediately before the end of the financial year, Ms. Carr held no other directorships of any listed companies.



## 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 45 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 Australian listed companies.





## Mr. Jim Dietz (retired 18 February 2021)

**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. 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.

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. Mr. Jamieson is a Non-Executive Director of IODM Limited, Non-Executive Chairman of ASX listed Energy Technologies Limited., and a Director of the Bionics Institute of Australia.

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 two other directorships of listed companies. He was Chairman of ASX listed Mesoblast Limited until 31 March 2019 and ASX Listed Sigma Healthcare Limited until May 2019.



## 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, Geocalci, 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.



## COMPANY SECRETARY

### Ms. Katelyn Adams (appointed 8 February 2021)

**B.COM (Acc/Fin), CA**

Ms. Adams is a partner of HLB Mann Judd, with over 10 years of accounting and company secretarial experience, servicing predominantly ASX listed companies. She has extensive knowledge in company secretarial duties, ASX Listing Rule requirements, IPO and capital raising processes, as well as a strong technical accounting knowledge.

Ms. Adams is presently the Company Secretary of Duxton Water Limited and Duxton Broadacre Farms Limited.



### Mr. Donald Stephens (retired 8 February 2021)

**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 Petrathern Limited. Additionally, he is Company Secretary of Petrathern Limited and various other unlisted public companies. Mr. Stephens is a former director of Odin Metals Limited (formerly Lawson Gold Limited) (resigned February 2018), Mithril Resources Ltd (resigned May 2019) and Gooroo Ventures Limited (resigned January 2020).



# 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. Roger Davey. Mr. Davey joined the Committee effective 18 February 2021 following the retirement of Mr. Jim Dietz.

## Audit, Business Risk and Compliance Committee

The principal 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. Brian Jamieson and Mr. Roger Davey.



# Interests in the Securities of the Company

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

Director	Ordinary Shares	Options – exercisable at \$0.81 each on or before 30 Jun 2023	Options – exercisable at \$0.83 each on or before 30 Jun 2022	Options – exercisable at \$1.29 each on or before 30 Jun 2021
Richard Crookes	17,295	1,000,000	1,000,000	-
Pauline Carr	42,871	1,000,000	-	-
Roger Davey	9,251	1,000,000	-	1,000,000
Brian Jamieson	9,251	1,000,000	-	1,000,000
Isaac Querub	8,044	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 2020 was \$24,390,718 (year ended 31 December 2019: \$7,526,084).

## 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 three 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

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

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## Muga Project and Vipasca Project

The Company's flagship Muga Project is targeting the relatively shallow sylvinite beds in the Muga Project area that covers about 60km<sup>2</sup>. 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.

The Muga Project Update in October 2018 confirmed the strategic importance of Vipasca as a potential extension of the Muga Project. The Vipasca permit, which covers approximately 14km<sup>2</sup>, is 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.

As reported in its June Quarterly Activities Report of 21 July 2020, the Company released assay analysis for holes V18-03 and V18-05 at Vipasca. The assay results for these holes were positive and confirmed the presence of potash at good grades. Hole V18-03 confirmed that the mineralisation remains open towards the west of Vipasca. Specifically, V18-03 intersected a total of 30.2 metres of potash mineralisation including:

- 1.5 metres at an average grade of 11.98% K<sub>2</sub>O from 1,022 metres;
- 1.8 metres at an average grade of 11.29% K<sub>2</sub>O from 1,060 metres; and
- 1.5 metres at an average grade of 12.79% K<sub>2</sub>O from 1,070 metres.

V18-05 confirmed the extension and continuity of the potash mineralisation between the Muga Project and Vipasca thereby linking these two projects.

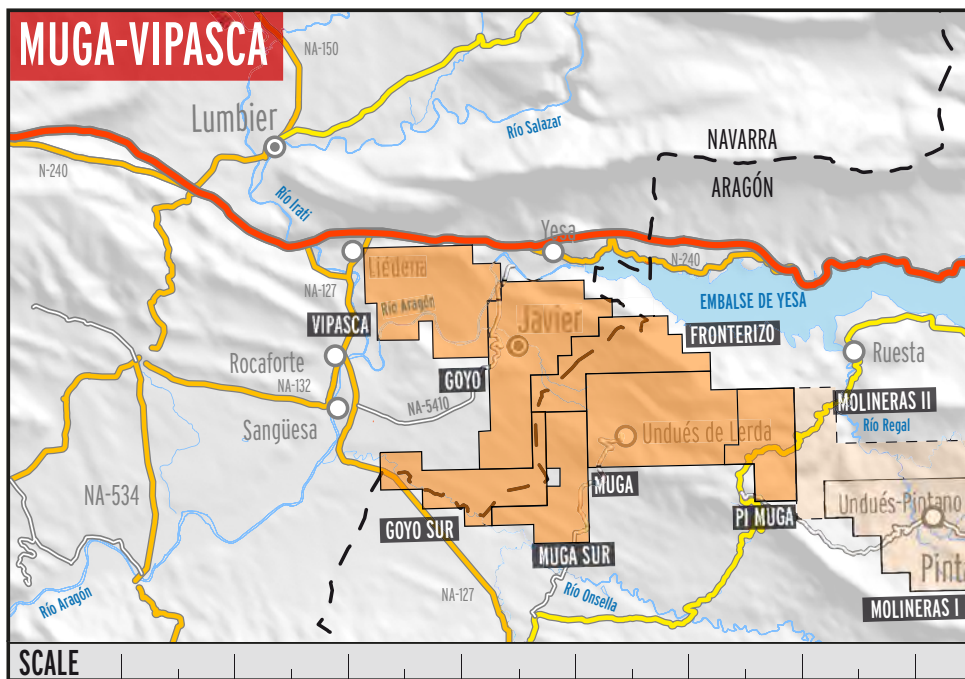
In January 2021, based on evaluation of the results of hole V18-04 drilled in 2019, Geoalcali relinquished the least prospective 44 mining squares within the Vipasca permit area, out of the previous total of 91 mining squares. The results indicated that after drilling 860 metres, the hole had not intersected, nor shown evidence of being near, the evaporite unit, suggesting that the potash unit is situated at a depth of more than 1,100 metres. The decision was therefore taken to relinquish the western and central sectors of the Vipasca permit. Efforts will now be concentrated on defining a maiden Mineral Resource and an Ore Reserve in the more prospective eastern part of the permit, with the objective of integrating Vipasca as an extension to the Muga Mining Concession.

On 30 June 2020, Geoalcali received the exploration permit for the Muga Sur permit area which abuts the south part of the Muga Project area.

In December 2020, drill hole J14-09 was completed at P.I. Muga permit area, which also abuts the Muga Project area. The results of this drill hole will be published once the assay analysis is complete.

The Company has prepared an updated MRE as at 31 December 2020 which has been audited by SRK Consulting UK Ltd. Refer to the ASX Additional Information section of this report for full details, starting on page 125. The changes in the updated MRE are not expected to have any material impact on the Muga Ore Reserves or the current mine plan.





**LEGEND**

<b>NAME</b> Permit name	Licence Granted	National Highways
Project Delimitation	Licence Pending	Border Navarra - Aragón



## Muga Project Approvals Process

As reported on 6 June 2019, the Company received a positive Declaración de Impacto Ambiental (“DIA”), the key environmental permit in respect of the Muga Project.

The next step in the permitting process was completed on 13 March 2020 with the submission of key Mining Concession documentation, following extensive engagement with the relevant mining authorities in Madrid, Aragon, and Navarra. Submission of this documentation coincided with the initiation by the Spanish Government of a nationwide State of Alarm and confinement programme due to the impact of Covid-19. With both the Company’s employees and government officials working from home, the Company continued engagement with all key authorities working on the Mining Concession.

Soon after the Covid-19 State of Alarm was lifted on 22 June 2020, the start of the public consultation period with respect to the Mining Concession documentation was published in the National Bulletin on 4 July 2020. The public consultation lasted 30 working days, finishing on 29 August 2020, when Geocalci proceeded to respond to the queries that were raised during that period.

Following the public consultation for the Mining Concession documentation, the authorities split the Mining Concession review into five sections covering all aspects of the Project. The Company provided prompt and comprehensive replies to all questions from the authorities on the first four sections of the documentation during the fourth quarter of the year. In December 2020, the Company was advised that despite efforts to expedite the process, the final section, covering the restoration and emergency plans, the backfilling process and water plants, would not be received until early in 2021. On 1 March 2021, the Company reported that it had received, and provided answers to, all questions contained in the fifth and final section.

Regarding other licences required for construction, in September 2020 the Industry Department of the Government of Navarra granted the administrative authorisation for construction of the high voltage electrical supply from Sangüesa to the planned principal substation on site, including the substation, and the Industry Department of Spain’s central government granted the complementary authorisation for the continuation of the high voltage connection from the principal substation up to and including the planned portal substation. Subject to the normal local construction licences, and subject to the issue of the Mining Concession, these authorisations are the essential approvals necessary to proceed with the construction of the overhead lines and substations that will provide grid power to the Muga Mine.

During the year the Company interacted extensively with the relevant local authorities in preparation for the award of other construction licences, notably those relating to water, power, and land. Power lines have been already authorised, conditional on the Mining Concession having been awarded, and other permits such as those related to water authorities are also conditional on the Mining Concession. The Company estimates that approximately four months will be required to secure the required licences, starting from the award of the Mining Concession, which will also allow the start of the expropriation process for land that has not yet been secured.





## Muga Project Technical Update

During the first half of the year, engineering submissions were made by the principal equipment suppliers and engineering consultants, allowing basic design of the process plant to be advanced and detailed design to commence. As part of this work, K-Utec AG Salt Technologies completed the test work used to detail the systems and components necessary for the dewatering and backfilling system and continued to progress the proposals for the backfilling storage and placement systems. In parallel with the development of the Project's engineering design, value engineering reviews continued throughout to optimise costs, and additional laboratory work was carried out to optimise the quality specification of salt to be produced from the Muga Mine.

The Company's negotiations with Komatsu led to signing of a purchase contract for a Joy miner bolter on 29 September 2020, which was followed by a deposit payment. The miner bolter will allow the excavation and construction of the decline portals following the completion of site preparation activities. The miner bolter will be complemented by the lease of two roadheaders, which will provide operational flexibility and reduce decline construction risk.

Following the lifting of the national State of Alarm in Spain, geotechnical drilling and other site investigation work commenced in June 2020. These works consisted of a series of shallow drill holes (up to approximately 15 metres deep) and inspection pits across the plant site area to provide confirmation of specific ground conditions for the final detailed design of foundations and bulk earthmoving and were extended during the third quarter of the year to the location of the proposed off-site electrical substation. The programme was ongoing at the end of the year.

During the third quarter of the year K-Utec Salt Technologies AG completed the basic engineering for the tailings dewatering and backfilling system, and detailed engineering work by IDOM Consulting commenced. Following advances in the detailed design of the access ramps, experienced Spanish mining consultants, Igan Ingeniería s.l., provided consultancy during the fourth quarter on the detailed mine design and infrastructure design.

On 27 January 2021 the Company announced in its Fourth Quarterly Activities Report for 2020 that it was now ready to issue all relevant engineering documentation to its construction partner.

The key areas covered by the engineering documentation are the design of:

- a) the mine, including the declines to the mineralisation;
- b) the processing plant, and urbanization; and
- c) the tailings, dewatering and backfilling systems.



## Sales and Marketing Update

On 6 February 2020 the Company announced the signing of a MOU for offtake from the Muga Mine with Keytrade AG for the sale of up to 300,000 metric tonnes per annum of muriate of potash. Keytrade is a large Swiss based agri-trader with significant experience working with all types of suppliers, distributors, retailers, and end-users across all fertiliser products and is active in more than 115 countries.

The Company continued to execute its sales and marketing strategy by signing a non-binding offtake MOU with Maxisalt, as reported on 29 April 2020. Under this MOU, Geoalcali will provide up to 500,000 tonnes per annum of salt to Maxisalt, comprising 400,000 tonnes of vacuum salt, and 100,000 tonnes of de-icing salt, both of which will be by-products from the processing of potash. Maxisalt is an international salt distribution company located in Barcelona and a global distributor of rock salt, solar salt, and vacuum salt with a diversified network of international clients and a particular focus on markets located in Spain and France.

As well as contributing by-product revenue, salt sales will help maintain the low environmental footprint of the Muga Mine and will assist in ensuring full compliance with environmental conditions, including the removal of all salt from surface as part of rehabilitation of the mine site following the end of potash production.

Highfield has already signed non-binding MOUs representing more than its full Phase 1 capacity for potash and salt. The Company is confident that the Project is ready to proceed from a sales and marketing readiness perspective, nonetheless it continues to engage in ongoing offtake discussions with other wholesale customers, distributors and traders with a view to optimising sales for the entire production capacity of muriate of potash and salt from the Muga Mine.

## Project Financing

In November 2020, the Company appointed Endeavour Financial, a leading independent advisor, as financial advisor for the debt financing of Muga. Work is ongoing in preparation for the debt financing.

The Company also continues to engage with key brokers, potential strategic investors and other institutional investors as it prepares to secure the equity portion of the financing at some stage after the receipt of the Mining Concession.

Highfield remains confident of securing the necessary debt and equity financing in due course, to support a final investment decision and the commencement of construction.



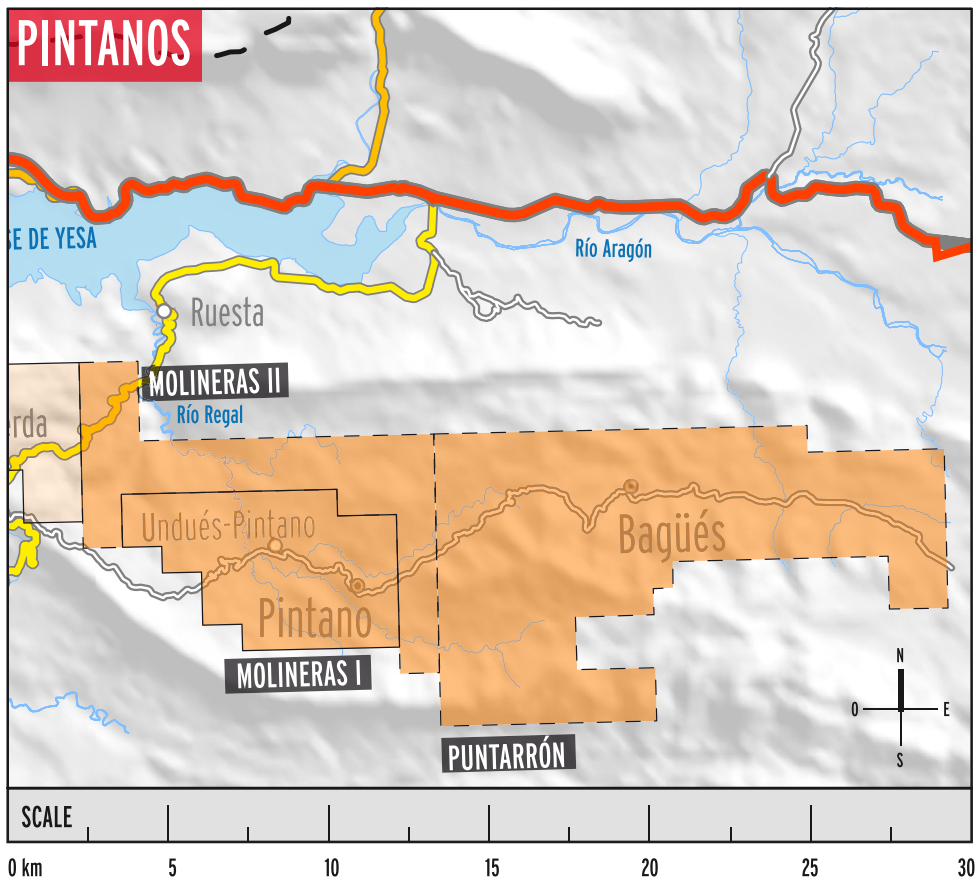


# Pintanos Project

Geoalcali's 100% owned Pintanos tenement area, comprising the three permits of Molineras 1, Molineras 2 and Puntarrón abuts the Muga Project and covers an area of 65km<sup>2</sup>. Depths from surface to mineralisation commence at around 500 metres. Geoalcali is building on substantial historical potash exploration information which includes seven drill holes and ten seismic profiles completed in the late 1980s.

Geoalcali was granted a three year extension to the drilling permit at Molineras 1 in June 2020. However, it continues to await the award of permits at Molineras 2. In 2019 Geoalcali re-initiated the application process for this permit following the conclusion of the public consultation period and responded to all comments received during the consultation period. Geoalcali's application for the Puntarrón permit also remains outstanding.

Notwithstanding its confidence that the Molineras 2 and Puntarrón permits will be obtained, and the Group's intention to continue developing its Pintanos project, the Company determined at the half year that, taking into account the increasing focus on the Muga Project, it was prudent to impair the Pintanos project. Details in relation to this impairment are disclosed in note 10 to the consolidated financial statements below.



## LEGEND

<b>NAME</b> Permit name	Licence Granted	National Highways
Project Delimitation	Licence Pending	

## Sierra del Perdón Project

Geoalcali's 100% owned Sierra del Perdón tenement area ("SdP") comprising the three permits of Quiñones, Adiós and Ampliación de Adiós is located south east of Pamplona and covers approximately 120km<sup>2</sup>. SdP is a brownfield project which previously hosted two potash mines operating from the 1960s until the late 1990s producing nearly 500,000 tonnes of potash per annum. There is potential for potash exploitation in new, unmined areas in the SdP area.

The Company was advised in the fourth quarter of 2018 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 basis of the rejection of the Quiñones and Adiós extension application was that Geoalcali had not performed sufficient drilling and geophysics exploration when compared with what it had committed to in the three year work plans submitted to the authorities. Geoalcali appealed this decision in 2019 on the basis of legal advice received and the fact that the reasons for not being able to perform the work outlined were due to factors outside Geoalcali's control.

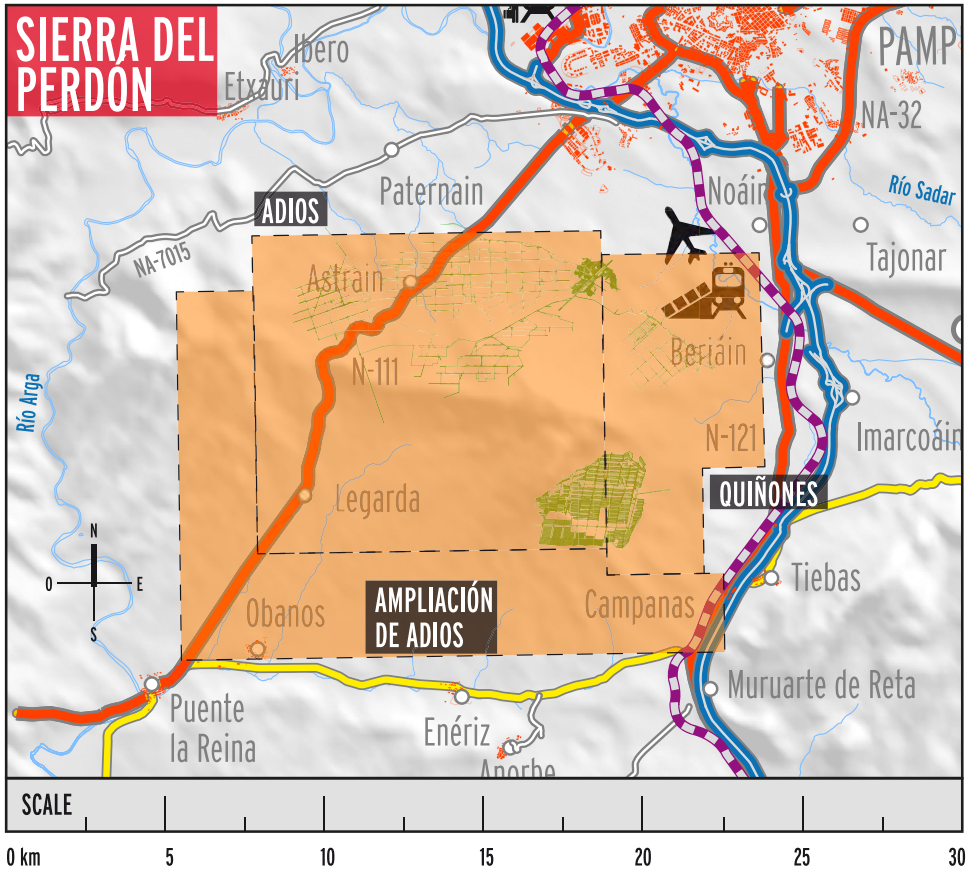
In the fourth quarter of 2020, the Company was advised that the second three-year extension application for the Ampliación de Adiós permit had also been rejected by the mining department of the Government of Navarra for the same reason. In December 2020, Geoalcali presented a further appeal in respect of all three permits to halt the rejection process.

Notwithstanding its confidence in a positive resolution to the extension applications for all three permits, and the Group's intention to continue developing the SdP project, the Company determined at the half year that, taking into account the increasing focus on the Muga Project, it was prudent to impair the SdP project. Details in relation to this impairment are disclosed in note 10 to the consolidated financial statements below.

No drilling took place at SdP during the year.







- Passenger Train Station
- Rail Freight Terminal
- Airport
- NAME Permit name
- Licence Pending
- Project Delimitation
- Historical Mine Infrastructure
- National Highways
- Toll Highways
- Rail Network



# Geoalcali Foundation

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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.

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## Projects

Geoalcali's community engagement programme continues to be well received despite the reductions made to adjust its CSR activities budget. The Geoalcali Foundation supports and finances projects related to its four pillars: Quality Education, Social Integration, Sustainable Communities, and Best Environmental Outcomes. During this 2020, the main focus has been boosting corporate volunteering by Company staff and assisting communities during the Covid-19 outbreak with donations from the Company and staff members.

The Geoalcali Foundation currently provides ongoing support to over 10 community projects and since its establishment in September 2014 has been involved in a range of projects with town halls, social associations, foundations and scientific/agricultural organisations. The activities of the Foundation are well known and appreciated by the local community, with a number of them having received awards and recognition as sustainable initiatives.

## Corporate

### Directors

On 20 April 2020 the Company announced the appointment of its new CEO, Mr. Ignacio Salazar, following the resignation of Managing Director, Mr. Peter Albert, on 31 January 2020. The Company's Chairman, Mr. Richard Crookes assumed the role of Acting Chief Executive Officer until Mr. Salazar took up the role of CEO on 20 July 2020.

Ignacio Salazar is an international executive with more than 30 years of experience in the natural resources industry. He has lived and worked in various countries in Europe and South America. Mr. Salazar assumed the position of CEO of Highfield in July 2020, after coming from Orosur Mining, a Canadian gold mining company with operations in Colombia, Uruguay and Chile, which is listed in the London and Toronto stock markets, and in which he worked as CEO and CFO for 12 years. He had previously pursued an 18-year international career in oil and gas exploration and production with Royal Dutch Shell, where he led new business development and finance teams in countries such as the UK, Germany, Denmark and Argentina, as well as working in headquarters in London and The Hague. Following his tenure at Shell, in 2008 he joined Orosur Mining, where he was appointed CEO in 2013, until joining Highfield.

Educated at the University of Deusto (Bilbao) where he completed his master's degrees in Economics and Business and Law, Mr. Salazar initially worked in companies such as Hidrola (now Iberdrola) in Madrid, and Management Horizons in London.

Mr. Salazar has extensive experience in the exploration, development, construction and operation of open pit and underground mines, as well as in the development of local relations with communities and governments, and international relations within the industry and in the capital markets of London, Europe and North America, both raising capital and in mergers and acquisitions.

The Board recently said farewell to former Non-Executive Director, Mr. Jim Dietz, who retired and stepped down from the Board on 18 February 2021 after five years of service. He was also a member of the Remuneration and Nomination Committee.

# 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 2020. Rounding differences may occur.

## Muga Project

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

An updated Ore Reserve for the Muga Project was calculated as at December 2018 and released to the ASX on 22 January 2019. The Company considers this Ore Reserve to be accurate as at 31 December 2020.

**Table 1: Muga Ore Reserves Summary**

	31 December 2020		31 December 2019		31 December 2018	
	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)
Proved	42.9	10.2%	42.9	10.2%	42.9	10.2%
Probable	65.8	10.2%	65.8	10.2%	65.8	10.2%
<b>Total Proved &amp; Probable</b>	<b>108.7</b>	<b>10.2%</b>	<b>108.7</b>	<b>10.2%</b>	<b>108.7</b>	<b>10.2%</b>

Highfield released an updated JORC-compliant Mineral Resource Estimate ("MRE") to the ASX on 10 October 2018. The Company has prepared an updated MRE as at 31 December 2020 which has been audited by SRK Consulting UK Ltd. Refer to the ASX Additional Information section of this report for full details, starting on page 125. The changes in the updated MRE are not expected to have any material impact on the Muga Ore Reserves or the current mine plan. The MRE includes all Ore Reserves shown above in Table 1.

**Table 2: Muga Mineral Resources Summary**

	31 December 2020		31 December 2019		31 December 2018	
	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)
Measured	103.2	12.3%	91.8	12.4%	91.8	12.4%
Indicated	134.1	11.7%	143.0	12.1%	143.0	12.1%
<b>Total Measured &amp; Indicated</b>	<b>237.3</b>	<b>12.0%</b>	<b>234.8</b>	<b>12.3%</b>	<b>234.8</b>	<b>12.3%</b>
Inferred	44.9	10.8%	32.6	12.9%	32.6	12.9%
<b>Total</b>	<b>282.2</b>	<b>11.8%</b>	<b>267.4</b>	<b>12.4%</b>	<b>267.4</b>	<b>12.4%</b>



## 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 2020.

**Table 3: Sierra del Perdón Mineral Resources Summary**

	31 December 2020		31 December 2019		31 December 2018	
	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Plac (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Plac (Mt)	Grade K <sub>2</sub> O (%)
Measured	-	-	-	-	-	-
Indicated	41.8	10.7%	41.8	10.7%	41.8	10.7%
<b>Total Measured &amp; Indicated</b>	<b>41.8</b>	<b>10.7%</b>	<b>41.8</b>	<b>10.7%</b>	<b>41.8</b>	<b>10.7%</b>
Inferred	40.3	10.5%	40.3	10.5%	40.3	10.5%
<b>Total</b>	<b>82.1</b>	<b>10.6%</b>	<b>82.1</b>	<b>10.6%</b>	<b>82.1</b>	<b>10.6%</b>

## Pintanos Project

Highfield released a maiden MRE for the Pintanos Project to the ASX on 20 November 2013. During the year ended 30 June 2017, two drill holes were completed at the Pintanos Project (see the Company's ASX Quarterly Activities Report released on 24 April 2017). The results of both holes were unfavourable compared with the block model which informed the maiden Mineral Resource Estimate released on 20 November 2013 and therefore adversely impacted the tonnage available to be classified as Inferred 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 2020.

**Table 4: Pintanos Mineral Resources Summary**

	31 December 2020		31 December 2019		31 December 2018	
	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Plac (Mt)	Grade K <sub>2</sub> O (%)
Measured	-	-	-	-	-	-
Indicated	-	-	-	-	-	-
<b>Total Measured &amp; Indicated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Inferred	70.7	11.9%	70.7	11.9%	70.7	11.9%
<b>Total</b>	<b>70.7</b>	<b>11.9%</b>	<b>70.7</b>	<b>11.9%</b>	<b>70.7</b>	<b>11.9%</b>

## 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 2020		31 December 2019		31 December 2018	
	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)
Proved	42.9	10.2%	42.9	10.2%	42.9	10.2%
Probable	65.8	10.2%	65.8	10.2%	65.8	10.2%
<b>Total Proved &amp; Probable</b>	<b>108.7</b>	<b>10.2%</b>	<b>108.7</b>	<b>10.2%</b>	<b>108.7</b>	<b>10.2%</b>

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

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

	31 December 2020		31 December 2019		31 December 2018	
	Tonnes In Plac (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Plac (Mt)	Grade K <sub>2</sub> O (%)	Tonnes In Place (Mt)	Grade K <sub>2</sub> O (%)
Measured	103.2	12.3%	91.8	12.4%	91.8	12.4%
Indicated	175.9	11.5%	184.8	11.9%	184.8	11.9%
<b>Total Measured &amp; Indicated</b>	<b>279.1</b>	<b>11.8%</b>	<b>276.6</b>	<b>12.0%</b>	<b>276.6</b>	<b>12.0%</b>
Inferred	155.9	11.2%	143.6	11.7%	143.6	11.7%
<b>Total</b>	<b>435.0</b>	<b>11.6%</b>	<b>420.2</b>	<b>11.9%</b>	<b>420.2</b>	<b>11.9%</b>

# Corporate Governance – Mineral Resource and Ore Reserve Calculations

Due to the nature, stage and size of the Company's existing operations, the Company has historically concluded that there would be insufficient efficiencies or additional governance benefits gained by establishing a separate Mineral Resources and Ore Reserves committee responsible for reviewing and monitoring the Company's processes for calculating Mineral Resources and Ore Reserves and for ensuring that the appropriate internal controls are applied to such calculations. However, the establishment of such a committee, at an appropriate time, remains under consideration. In the meantime, the Company continues to ensure that all drill results and Mineral Resource 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 a qualified geologist.

# 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 22,820,330 unissued ordinary shares under options. Refer to note 12(e) to the consolidated financial statements below for details.

Number	Exercise Price \$	Expiry Date
3,000,000	\$1.29	30 June 2021
1,000,000	\$0.83	30 June 2022
7,000,000	\$0.81	30 June 2023
3,221,170	\$0.83	31 December 2022
1,818,171	\$0.83	31 December 2023
1,546,855	\$0.81	31 December 2023
333,333	\$0.47	31 December 2023
1,622,191	\$0.83	31 December 2024
1,368,757	\$0.81	31 December 2024
333,333	\$0.47	31 December 2024
1,243,186	\$0.81	31 December 2025
333,334	\$0.47	31 December 2025
<b>22,820,330</b>		

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:

- 7,000,000 options with an exercise price of \$0.81, expiring on 30 June 2023
- 1,546,855 options with an exercise price of \$0.81, expiring on 31 December 2023
- 333,333 options with an exercise price of \$0.47, expiring on 31 December 2023
- 1,368,757 options with an exercise price of \$0.81, expiring on 31 December 2024
- 333,333 options with an exercise price of \$0.47, expiring on 31 December 2024
- 1,243,186 options with an exercise price of \$0.81, expiring on 31 December 2025
- 333,334 options with an exercise price of \$0.47, expiring on 31 December 2025

The following options lapsed during the financial year:

- 4,832,221 options with an exercise price of \$1.34, expiring on 30 June 2025
- 7,342,397 options with an exercise price of \$1.29, expiring on 31 December 2025

No options were cancelled during the financial year.

For full details refer to note 18.

# 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 entities in the Group 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
Peter Albert	-	-	-	-	-	-
Pauline Carr	8	8	5	5	5	5
Richard Crookes	8	8	5	5	5	5*
Roger Davey	8	8	5	3*	5	5
Jim Dietz (retired 18 February 2021)	8	8	5	5	5	3*
Brian Jamieson	8	8	5	2*	5	5
Isaac Querub	8	7	5	-	5	-

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 the 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 with them to the extent possible at this stage of its development and its circumstances. A copy of the latest Corporate Governance Statement can be found on the Company's website.

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](http://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 112 of the annual report. No non-audit services were provided by the Company's auditor.





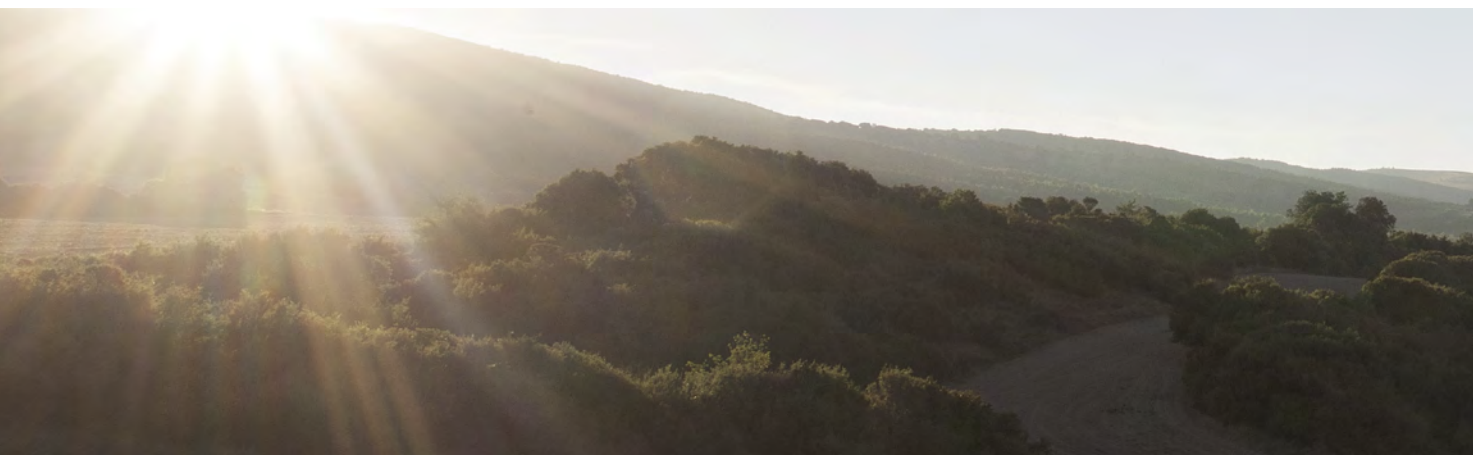
# Audited Remuneration Report

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 2020. 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

<b>Directors</b>	
Richard Crookes	Independent Non-Executive Chairman (and Acting CEO from 1 February to 19 July 2020)
Peter Albert	Former Managing Director and Chief Executive Officer (resigned 31 January 2020)
Pauline Carr	Independent Non-Executive Director
Roger Davey	Independent Non-Executive Director
Jim Dietz	Independent Non-Executive Director (retired 18 February 2021)
Brian Jamieson	Non-Executive Director
Isaac Querub	Independent Non-Executive Director
<b>Key Management</b>	
Ignacio Salazar	Chief Executive Officer (commenced 20 July 2020)
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 CEO. 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 <sup>1</sup>
CEO	Up to 75% of fixed remuneration (up to 75% Corporate KPIs and the remainder Personal KPIs)	Up to 85% of fixed remuneration in the form of options subject to vesting conditions
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 vesting conditions

<sup>1</sup> The exercise price of options is set at a premium to the share price at the date of grant, in order to provide an incentive linked to the longer term performance of the Company relative to the market. The average premium for options granted under the Long Term Incentive Plan during the year was 25%. In general, the participant must remain employed with the Company at the vesting assessment date of the options.

# 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 generally undertakes a market benchmarking review of executive positions at least once every three years to ensure that the Company's remuneration offerings remain competitive with its contemporary peer group.



## Use of Remuneration Consultants

The Board and the Remuneration and Nomination Committee seek and consider advice from independent remuneration consultants to ensure that they have relevant information for the determination of all facets of remuneration relating to the KMP and senior executives. 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.

During the year the Company did not engage any remuneration consultants. It engaged Heidrick & Struggles to provide executive search and assessment services in respect of the Chief Executive Officer role.

## 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 KMP 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 circumstances at different junctures in time.</p>	The equity component of the at-risk reward opportunity, linked to the creation of shareholder value and employee retention.

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 corporate 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 corporate performance KPIs.

In addition to fixed and at-risk remuneration, share options may be issued to KMPs at the commencement of their employment, when the Board determines this to be appropriate.

## Non-Executive Director ("NED") Remuneration

NED remuneration is reviewed periodically by the Remuneration and Nomination Committee. 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 it determines such payments are warranted. During the year the Board determined that Mr. Crookes should receive an extra exertion amount of \$30,000 per month for his services as Acting Chief Executive Officer until Mr. Salazar assumed his position as CEO in July 2020.

In addition to fixed fee remuneration, the Board may propose that shareholder approval be sought for the issue of share options to Directors when it determines this to be appropriate.

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

Following the approval of the Directors' Share Plan at the Company's AGM in May 2020, the Directors elected to subscribe for shares in lieu of 25% of their Directors' fees for the period July to September 2020, assisting the Company to preserve cash. Furthermore, with effect from 1 October 2020 the Directors elected to forgo 25% of their Directors' fees, without subscribing for shares, until such time as the Mining Concession for the Muga Project is awarded. The Directors subsequently elected, with effect from 1 March 2021, to forgo 50% of their Directors' fees until the Mining Concession is awarded.

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 CEO 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 have personal KPIs appropriate to their areas of responsibility.

The KPIs for the year ended 31 December 2020 were assessed in accordance with the parameters set out in the Remuneration Policy section above. The STI for the CEO is based on 75% for corporate and strategic KPIs. The STIs for other senior executives are 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 2020 the STI corporate and strategic KPI performance outcomes for KMPs were assessed as follows:

KPI Category	Objective for the year	Weighting for 2020 %	2020 Outcome %
Safety, Health, Environmental and Community	No injuries or environmental incidents and appropriate responses to social grievances	10	10
Permits	Mining Concession awarded	26	-
Financials	Partial funding of construction	26	-
Project progress	Construction commenced	26	-
Investor relations	Increase of 30% in average traded daily volume of shares	12	-
<b>Total</b>		<b>100</b>	<b>10</b>

## Short Term Incentive Award

The Directors have determined that no bonuses for KMPs or other employees for the year ended 31 December 2020 will be awarded or paid until later in 2021, at a date when the Mining Concession has been satisfactorily obtained. Notwithstanding this, a provision is included as an expense in the financial statements for the year ended 31 December 2020 for the cost of any bonuses that may later be awarded, whether in cash or shares.

## Long Term Incentive Award

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 exercise price of options is set at a premium to the share price at the date of grant, in order to provide an incentive linked to the longer term performance of the Company relative to the market. The premium used in setting the exercise price for options granted during the year under the LTI Plan was 25%.

In general, the KMP must also remain employed with the Company at the vesting assessment date of the options. Refer to note 18 to the consolidated financial statements for details of the LTI Plan.

Feature	Description
Opportunity/allocation	The total value of options granted is based on a percentage of fixed remuneration. This percentage is approximately 50% for senior executives and 20% for other employees. The number of options granted is determined by dividing the total value by the fair value per option 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).
Performance hurdle	The performance hurdle is represented by the premium that must be achieved before options are in the money.
Exercise price	In order to provide an incentive linked to the longer term performance of the Company, the exercise price of options is set at a premium to the share price at the start of the year, as represented by the volume weighted average price (VWAP) of the preceding month of December. Due to changes in the share price between this VWAP and the grant date, the effective premium may be greater or less than 25%.
Forfeiture and termination	Options lapse if vesting conditions are not met. Options are forfeited on cessation of employment prior to the vesting date unless the Board determines otherwise.



## 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 2020 are as below:

Year ended 31 December 2020	Short term				Options and shares	Post-employment	Total \$	Performance related %
	Base Salary \$	Fees \$	STI Awards <sup>1</sup> \$	Other Benefits <sup>2</sup> \$	Share-based Payments <sup>3</sup> \$	Super-annuation \$		
<b>Directors</b>								
Peter Albert (resigned 31 January 2020)	60,871	-	-	31,371	-	-	92,242	-
Pauline Carr	-	84,000	-	-	69,600	-	153,600	41%
Richard Crookes (also Acting CEO from 1 February to 20 July 2020)	-	304,355	-	-	71,100	-	375,455	17%
Roger Davey	-	60,378	-	-	67,911	-	128,289	50%
Jim Dietz (retired 18 February 2021)	-	60,378	-	-	67,911	-	128,289	50%
Brian Jamieson	-	55,137	-	-	67,912	5,238	128,287	50%
Isaac Querub	-	52,500	-	-	67,350	-	119,850	53%
<b>Key Management</b>								
Ignacio Salazar (commenced 20 July 2020)	275,488	-	-	66,343	226,733	-	568,564	40%
Mike Norris	449,087	-	-	176,453	107,294	-	732,834	15%
	<b>785,446</b>	<b>616,748</b>	<b>-</b>	<b>274,167</b>	<b>745,811</b>	<b>5,238</b>	<b>2,427,410</b>	<b>29%</b>

<sup>1</sup> The Directors have determined that no STI bonuses will be awarded until later in 2021, at a date when the Mining Concession has been satisfactorily obtained. Notwithstanding this, a provision is included as an expense in the financial statements for the year ended 31 December 2020 for the cost of any bonuses that may later be awarded.

<sup>2</sup> Benefits relate to paid private accommodation and in-country residency allowance.

<sup>3</sup> Share-based payments of the Directors include 1 million share options granted to each Director during the year. Share-based payments also include 25% of each Director's fees for July to September 2020 for which the Director elected to subscribe for shares in lieu of cash. Share-based Payments of Key Management include share options awarded under the Company's LTI Plan as well as 1 million commencement options awarded to Mr. Salazar.

Details of remuneration for the year ended 31 December 2019 (as restated) are shown below:

Year ended 31 December 2019 (restated <sup>1</sup> )	Short term				Options	Post-employment	Total \$	Performance related %
	Base Salary \$	Fees \$	STI Awards <sup>1,2</sup> \$	Other Benefits <sup>3</sup> \$	Share-based Payments \$	Super-annuation \$		
<b>Directors</b>								
Derek Carter (retired 23 May 2019)	-	49,087	-	-	-	4,663	53,750	-
Peter Albert	716,147	-	259,117	274,904	282,527	-	1,532,695	18%
Pauline Carr	-	96,000	-	-	-	-	96,000	-
Richard Crookes	-	102,500	-	-	232,200	-	334,700	69%
Roger Davey	-	64,500	-	-	-	-	64,500	-
Jim Dietz	-	69,000	-	-	-	-	69,000	-
Owen Hegarty (resigned 23 May 2019)	-	25,000	-	-	-	-	25,000	-
Brian Jamieson	-	63,014	-	-	-	5,986	69,000	-
Isaac Querub	-	60,000	-	-	-	-	60,000	-
<b>Key Management</b>								
Mike Norris	430,532	-	147,819	123,959	596,871	-	1,299,181	46%
	<b>1,146,679</b>	<b>529,101</b>	<b>406,936</b>	<b>398,863</b>	<b>1,111,598</b>	<b>10,649</b>	<b>3,603,826</b>	<b>31%</b>

<sup>1</sup> The STI awards in respect of Mr. Albert and Mr. Norris have been restated to correct an error in the amounts previously disclosed in the 2019 remuneration report, being the omission of an element of the STI award made to them. Accordingly, the previously disclosed amount of \$57,512 in respect of Mr. Albert has been restated to \$259,117 and the previously disclosed amount of \$91,370 in respect of Mr. Norris has been restated to \$147,819. There was no error in the amounts recorded within the consolidated financial statements for 2019.

<sup>2</sup> The STI awards relate to the achievement of KPIs for the year ended 31 December 2019 for which the bonus cost was approved by the Board in February 2020 for payment in April 2020. The cost of the STI award is included in the financial statements for the year ended 31 December 2019.

<sup>3</sup> Benefits relate to paid private accommodation and in-country residency allowance.



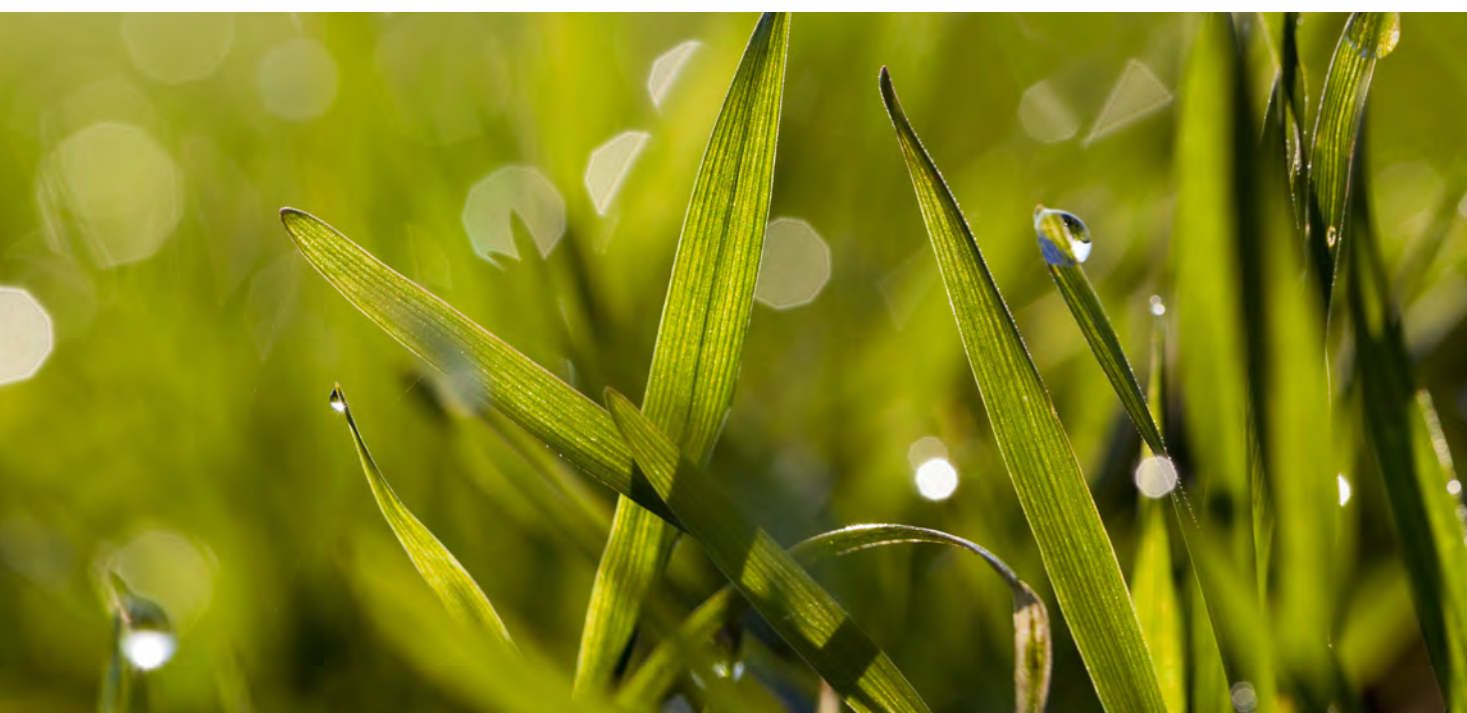
## Shareholdings of Directors and Other Key Management Personnel

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 65,963 shares granted as compensation during the year ended 31 December 2020.

Year ended 31 December 2020	Balance at the start of the period	Granted as compensation during the period	Other changes during the period <sup>1</sup>	Balance at the end of the period
<b>Directors</b>				
Peter Albert (resigned 31 January 2020)	78,000	-	(78,000)	-
Richard Crookes	-	17,295	-	17,295
Pauline Carr	30,000	12,871	-	42,871
Roger Davey	-	9,251	-	9,251
Jim Dietz (retired 18 February 2021)	50,000	9,251	-	59,251
Brian Jamieson	-	9,251	-	9,251
Isaac Querub	-	8,044	-	8,044
<b>Key Management</b>				
Ignacio Salazar (commenced 20 July 2020)	-	-	-	-
Mike Norris	-	-	-	-

<sup>1</sup> The other change during the period represents an adjustment to exclude shares held by Peter Albert as he was not a Director at the end of the period.

All equity transactions with Directors and other key management personnel other than those arising from the grant 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 2020	Balance at the start of the period	Granted as compensation during the period	Expired during the period	Other changes during the period <sup>1</sup>	Balance at the end of the period	Exercisable	Not exercisable
<b>Directors</b>							
Peter Albert (resigned 31 January 2020)	5,927,005	-	(4,812,941)	(1,114,064)	-	-	-
Richard Crookes	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-
Pauline Carr	-	1,000,000	-	-	1,000,000	1,000,000	-
Roger Davey	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-
Jim Dietz (retired 18 February 2021)	-	1,000,000	-	-	1,000,000	1,000,000	-
Brian Jamieson	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-
Isaac Querub	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-
<b>Key Management</b>							
Ignacio Salazar (commenced 20 July 2020)	-	1,000,000	-	-	1,000,000	333,333	666,667
Mike Norris	3,503,218	1,011,827	(2,142,481)	-	2,372,564	893,200	1,479,364

<sup>1</sup> Other changes during the period represent an adjustment to exclude options held by Peter Albert as he was not a Director at the end of the period.

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 2020 other than those disclosed above.

## Options Affecting Remuneration

The terms and conditions of options granted during the year ended 31 December 2020 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 <sup>1</sup>	Number of options vested	Vested	Max value yet to vest
<b>Directors</b>									
Richard Crookes	27/05/20	1,000,000	30/06/23	\$0.0636	\$0.81	\$63,600	1,000,000	\$63,300	-
Pauline Carr	27/05/20	1,000,000	30/06/23	\$0.0636	\$0.81	\$63,600	1,000,000	\$63,300	-
Roger Davey	27/05/20	1,000,000	30/06/23	\$0.0636	\$0.81	\$63,600	1,000,000	\$63,300	-
Jim Dietz (retired 18 February 2021)	27/05/20	1,000,000	30/06/23	\$0.0636	\$0.81	\$63,600	1,000,000	\$63,300	-
Brian Jamieson	27/05/20	1,000,000	30/06/23	\$0.0636	\$0.81	\$63,600	1,000,000	\$63,300	-
Isaac Querub	27/05/20	1,000,000	30/06/23	\$0.0636	\$0.81	\$63,600	1,000,000	\$63,300	-
<b>Key Management</b>									
Ignacio Salazar (commenced 20 July 2020)	15/09/20	333,333	31/12/23	\$0.2050	\$0.47	\$68,333	333,333	\$68,333	-
	15/09/20	333,333	31/12/24	\$0.2279	\$0.47	\$75,967	-	-	\$75,967
	15/09/20	333,334	31/12/25	\$0.2473	\$0.47	\$82,433	-	-	\$82,433
Mike Norris	25/06/20	376,348	31/12/23	\$0.0859	\$0.81	\$32,328	376,348	\$32,328	-
	25/06/20	333,016	31/12/24	\$0.1084	\$0.81	\$36,099	-	-	\$36,099
	25/06/20	302,463	31/12/25	\$0.1285	\$0.81	\$38,866	-	-	\$38,866
		<b>8,011,827</b>				<b>\$715,626</b>	<b>1,709,681</b>	<b>\$480,461</b>	<b>\$233,365</b>

<sup>1</sup> 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 commencement options, fixed remuneration, performance related STI bonuses, other short term benefits, and participation, where eligible, in the Company's LTI Plan.

## 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 period of appointment is in accordance with the Company's Constitution and the Corporations Act 2001, including the provisions of the constitution which relate to the rotation of Directors.

## Chief Executive Officer

Mr. Salazar 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. Salazar may be entitled to severance benefits of up to nine months' fixed cash remuneration (based on an average of his previous annual fixed remuneration), or other minimum severance benefits set by Spanish law, as applicable. Mr. Salazar's employment may also be terminated at any time without notice in circumstances of his misconduct or illness.

During the year ended 31 December 2020 Mr. Salazar's total fixed remuneration was €168,750 (\$275,488).

## 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. During the year ended 31 December 2020 Mr. Norris's base salary increased from €269,000 (\$430,532) to €272,500 (\$449,087). No changes were made to Mr. Norris's short term or long term variable performance based incentives during the year ended 31 December 2020.





## 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 2020 (year ended 31 December 2019: nil)

## Voting and Comments Made at the Company's May 2020 Annual General Meeting

Highfield Resources Limited received more than 98.36% of "yes" votes on its remuneration report for the financial year ended 31 December 2019. 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 and Share Price

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Six months ended 31 December 2017	Year ended 30 June 2017	Year ended 30 June 2016
Loss per share (cents)	(7.40)	(2.28)	(1.28)	(0.14)	(2.22)	(3.42)
Share price (at period end)	\$0.69	\$0.68	\$0.64	\$1.03	\$0.96	\$1.38
Share price High for the reporting period	\$0.79	\$1.01	\$1.13	\$1.20	\$1.49	\$2.04
Share price Low for the reporting period	\$0.26	\$0.57	\$0.48	\$0.82	\$0.90	\$1.03



# End of Audited Remuneration Report

This Directors' Report is signed on behalf of the Board in accordance with a resolution of the Directors.



**Richard Crookes**  
**Independent Non-Executive Chairman**

Adelaide, Australia  
30 March 2021









# 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 2020

	Note	31 December 2020 \$	31 December 2019 \$
<b>Continuing Operations</b>			
Gain on foreign exchange		568,899	-
Listing and share registry expenses		(69,028)	(98,701)
Professional and consultants' fees	3	(501,834)	(385,351)
Director and employee costs		(2,668,872)	(3,038,678)
Share-based payments expense	18	(1,875,964)	(2,334,854)
Travel and accommodation		(39,321)	(66,404)
Donations		(134,000)	(92,464)
Depreciation	9	(37,313)	(55,203)
Impairment of deferred exploration and evaluation expenditure	10	(18,721,810)	(493,503)
Other expenses		(898,622)	(767,753)
Interest paid	19	(12,853)	(59,452)
Loss on foreign exchange		-	(133,722)
<b>Loss before income tax</b>		<b>(24,390,718)</b>	<b>(7,526,084)</b>
Income tax expense	5	-	-
<b>Net loss for the period</b>		<b>(24,390,718)</b>	<b>(7,526,084)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations		(1,641,824)	(988,618)
<b>Other comprehensive loss for the period net of tax</b>		<b>(1,641,824)</b>	<b>(988,618)</b>
<b>Total comprehensive loss for the period</b>		<b>(26,032,542)</b>	<b>(8,514,702)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents)	6	(7.40)	(2.28)

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 2020

	Note	31 December 2020 \$	31 December 2019 \$
<b>Current Assets</b>			
Cash and cash equivalents	7	20,202,057	39,980,018
Other receivables	8	292,116	738,552
<b>Total Current Assets</b>		<b>20,494,173</b>	<b>40,718,570</b>
<b>Non-Current Assets</b>			
Other receivables	8	490,692	516,733
Property, plant and equipment	9	89,857	116,726
Deferred exploration and evaluation expenditure	10	112,296,472	116,966,324
<b>Total Non-Current Assets</b>		<b>112,877,021</b>	<b>117,599,783</b>
<b>Total Assets</b>		<b>133,371,194</b>	<b>158,318,353</b>
<b>Current Liabilities</b>			
Trade and other payables	11	4,514,595	5,339,651
<b>Total Current Liabilities</b>		<b>4,514,595</b>	<b>5,339,651</b>
<b>Total Liabilities</b>		<b>4,514,595</b>	<b>5,339,651</b>
<b>Net Assets</b>		<b>128,856,599</b>	<b>152,978,702</b>
<b>Equity</b>			
Issued capital	12	172,653,405	172,618,930
Reserves	13	29,364,361	29,130,221
Accumulated losses	14	(73,161,167)	(48,770,449)
<b>Total Equity</b>		<b>128,856,599</b>	<b>152,978,702</b>

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 2020

Year ended 31 December 2019	Issued capital \$	Accumulated losses \$	Share-based payments reserve \$	Foreign exchange translation reserve \$	Option premium reserve \$	Total \$
<b>Balance at 1 January 2019</b>	172,618,930	(41,244,365)	21,010,270	6,772,715	1,000	159,158,550
<b>Total comprehensive loss for the period</b>						
Loss for the period	-	(7,526,084)	-	-	-	(7,526,084)
Other comprehensive loss - foreign currency translation	-	-	-	(988,618)	-	(988,618)
<b>Total comprehensive loss for the period</b>	-	<b>(7,526,084)</b>	-	<b>(988,618)</b>	-	<b>(8,514,702)</b>
<b>Transactions with owners in their capacity as owners</b>						
Conversion of options	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
Share-based payment	-	-	2,334,854	-	-	2,334,854
<b>Balance at 31 December 2019</b>	172,618,930	<b>(48,770,449)</b>	23,345,124	5,784,097	1,000	152,978,702
<b>Year ended 31 December 2020</b>						
<b>Balance at 1 January 2020</b>	172,618,930	<b>(48,770,449)</b>	23,345,124	5,784,097	1,000	152,978,702
<b>Total comprehensive loss for the period</b>						
Loss for the period	-	(24,390,718)	-	-	-	(24,390,718)
Other comprehensive loss - foreign currency translation	-	-	-	(1,641,824)	-	(1,641,824)
<b>Total comprehensive loss for the period</b>	-	<b>(24,390,718)</b>	-	<b>(1,641,824)</b>	-	<b>(26,032,542)</b>
<b>Transactions with owners in their capacity as owners</b>						
Conversion of options	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
Share-based payment	34,475	-	1,875,964	-	-	1,910,439
<b>Balance at 31 December 2020</b>	172,653,405	<b>(73,161,167)</b>	25,221,088	4,142,273	1,000	128,856,599

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 2020

	Note	31 December 2020 \$	31 December 2019 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(5,438,297)	(4,124,221)
Interest paid		(12,859)	(59,452)
Other receipts including GST/VAT received		2,266,039	1,048,745
<b>Net cash used in operating activities</b>	<b>7</b>	<b>(3,185,117)</b>	<b>(3,134,928)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(12,722)	(49,361)
Payments for exploration and evaluation expenditure		(17,156,788)	(11,398,108)
<b>Net cash used in investing activities</b>		<b>(17,169,510)</b>	<b>(11,447,469)</b>
<b>Cash flows from financing activities</b>			
Proceeds from conversion of options		-	-
Payments for share issue costs		-	-
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>-</b>
Net decrease in cash and cash equivalents		(20,354,627)	(14,582,397)
Cash and cash equivalents at the beginning of the period		39,980,018	55,157,707
Effect of exchange rate fluctuations on cash		576,666	(595,292)
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>20,202,057</b>	<b>39,980,018</b>

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 2020

## 1. Corporate Information

The financial report of Highfield Resources Limited (“Highfield Resources”, “Highfield” or “the Company”) for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 30 March 2021.

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 2020 and at 31 December 2019 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 intercompany 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 Chief Executive Officer. 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 Chief Executive Officer 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 suffer 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 employees (including Directors) and individuals providing services similar to those provided by an employee. The cost of these equity settled transactions 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.

The cost of equity settled transactions provided to employees (including Directors) by issue of shares is measured by reference to the fair value of services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the shares issued.

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).

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.

**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**

New standards and amendments applied for the first time for the annual reporting period commencing 1 January 2020 did not have any impact on the amounts recognised in the current or prior periods and are not expected to significantly affect future periods.

#### **s) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

31 December 2020  
\$31 December 2019  
\$

### 3. Expenses

Professional and consultants' fees		
Corporate advisory fees	(363,567)	(280,451)
Legal fees	(43,760)	(27,838)
Other	(94,507)	(77,062)
	<b>(501,834)</b>	<b>(385,351)</b>

### 4. Auditor's Remuneration

The auditor of Highfield Resources Limited is PricewaterhouseCoopers Australia "PwC"

Amounts received or due and receivable by the parent auditor for:

- an audit or review of the financial report	58,386	51,276
- other services	-	6,000

Remuneration of other related entities of "PwC"

Amounts received or due and receivable by the subsidiary auditor for:

- an audit or review of the financial report	29,446	29,632
	<b>87,832</b>	<b>86,908</b>

31 December 2020  
\$31 December 2019  
\$

## 5. Income Tax

### a) Income tax expense

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

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

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	(24,390,718)	(7,526,084)
Tax calculated at domestic tax rates applicable to profit/(losses) in the respective countries (Spain 28.0%, Australia 30.0%)	(7,264,637)	(2,282,815)
Non-deductible expenses	179,915	262,466
Net income tax benefit not brought to account	7,084,722	2,020,349
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

### c) Deferred tax

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

<b>Net deferred tax asset not recognised (at respective tax rates)</b>	<b>14,207,701</b>	<b>7,432,072</b>
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### d) Unused tax losses

<b>Unused tax losses</b>	<b>30,734,747</b>	<b>27,844,538</b>
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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.



31 December 2020  
\$31 December 2019  
\$

## 6. Loss per Share

Loss used in calculating basic and diluted EPS	(24,390,718)	(7,526,084)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share	329,539,585	329,525,003
<b>Effect of dilution:</b>		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	329,539,585	329,525,003
<b>Basic and diluted loss per share (cents)</b>	<b>(7.40)</b>	<b>(2.28)</b>

There is no impact from 22,820,330 options outstanding at 31 December 2020 (31 December 2019: 22,836,150) on the earnings per share calculation because they are non-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 2020 and the date of completion of these financial statements.

## 7. Cash and Cash Equivalents

<b>Reconciliation of cash</b>		
Cash at bank	20,202,057	39,980,018
<b>Reconciliation of operating loss after tax to net cash flow from operations</b>		
Loss after tax	(24,390,718)	(7,526,084)
<i>Non-cash and non-operating items in operating loss after tax:</i>		
Share-based payments	1,875,964	2,334,854
Net (gain)/loss on foreign exchange	(568,899)	133,722
Impairment of deferred exploration and evaluation expenditure	18,721,810	493,503
Depreciation	37,313	55,203
<i>Change in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	1,509,534	(65,524)
(Decrease)/increase in trade and other payables	(370,121)	1,439,398
<b>Net cash used in operating activities</b>	<b>(3,185,117)</b>	<b>(3,134,928)</b>

31 December 2020  
\$31 December 2019  
\$

## 8. Other Receivables

	31 December 2020 \$	31 December 2019 \$
<b>Current</b>		
GST receivable	41,642	47,443
VAT receivable	210,237	653,338
Deposits	40,237	37,771
	<b>292,116</b>	<b>738,552</b>
<b>Non-current</b>		
Guarantees	490,692	516,733
	<b>490,692</b>	<b>516,733</b>

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. Guarantees and deposits represent amounts provided to third parties.

## 9. Property, Plant and Equipment

Cost	663,294	658,279
Accumulated depreciation and impairment	(573,437)	(541,553)
Net carrying amount	<b>89,857</b>	<b>116,726</b>
<b>Movements in Property, Plant and Equipment</b>		
Opening balance	116,726	121,566
Additions	10,273	51,959
Net exchange differences on translation	171	(1,596)
Depreciation charge for the period	(37,313)	(55,203)
<b>Closing balance</b>	<b>89,857</b>	<b>116,726</b>

31 December 2020  
\$31 December 2019  
\$

## 10. Deferred Exploration and Evaluation Expenditure

Exploration and Evaluation expenditure - at cost	31 December 2020 \$	31 December 2019 \$
Opening balance	116,966,324	105,421,745
Exploration and evaluation expenditure incurred during the period	15,480,973	13,115,579
Net exchange differences on translation	(1,429,015)	(1,077,497)
Impairments	(18,721,810)	(493,503)
<b>Closing balance</b>	<b>112,296,472</b>	<b>116,966,324</b>

The Company was advised in the fourth quarter of 2018 that the second three year extension application for the Adiós and Quiñones permits within the Sierra del Perdón tenement area had been rejected by the mining department of the Government of Navarra. The Company appealed this decision in 2019. In the fourth quarter of 2020, the Company was advised that the second three year extension application for the Ampliación de Adiós permit, the other permit within the Sierra del Perdón tenement area, had also been rejected by the mining department of the Government of Navarra. The Company appealed this decision in the same quarter, in line with the ongoing process of the other two Sierra del Perdón permits. Based on local Spanish legal advice, the continued lack of a resolution to the appeals is not seen as a reflection on the merits of the appeals, nor does it represent a significant change with an adverse effect on the entity.

With regard to the Pintanos tenement area, although a three year extension to the drilling permit at Molineras 1 was granted during the year, the award of the permits at Molineras 2 and Puntarrón remains outstanding, more than six years since the original applications were submitted.

The Company believes the outstanding permits will be awarded for both projects in due course. Nonetheless, an impairment expense of \$18,721,810 (2019: \$493,503) was recorded at the half year in relation to the Sierra del Perdón and Pintanos areas of interest, representing expenses previously deferred in relation to this project.

The impairment recognised that under AASB 6 Exploration for and Evaluation of Mineral Resources, the extended period of permit applications brings into question Geocalci's right of tenure and increases uncertainty as to the likelihood that the carrying value of \$13,109,629 for Sierra del Perdón and \$5,612,181 for Pintanos will be recovered in full from successful development or by sale. In view of this, and taking into account the increasing focus on the Muga Project, the Company believed it was prudent to impair the total carrying value of \$18,721,810. The impairment has no impact on the consolidated cash flow in the year ended 31 December 2020.

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

## 11. Trade and Other Payables

Trade payables	1,129,613	2,046,145
Other payables	26,919	27,196
Accruals	3,358,063	3,266,310
	<b>4,514,595</b>	<b>5,339,651</b>

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.



31 December 2020  
\$31 December 2019  
\$

## 12. Issued Capital

### a) Issued and paid up capital

Issued and fully paid	172,653,405	172,618,930
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### b) Movements in ordinary shares on issue

	31 December 2020		31 December 2019	
	Number of shares	\$	Number of shares	\$
Opening Balance	329,525,003	172,618,930	329,525,003	172,618,930
Shares issued <sup>1</sup>	75,168	34,475	-	-
Transaction costs on share issue	-	-	-	-
	<b>329,600,171</b>	<b>172,653,405</b>	<b>329,525,003</b>	<b>172,618,930</b>

#### <sup>1</sup> December 2020

- 75,168 ordinary shares were issued during the year ended 31 December 2020 as consideration for Directors' services in accordance with the Directors' Share Plan, as set out in the Remuneration Report accompanying this financial report.

#### December 2019

- No shares were issued during the year ended 31 December 2019.

### 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 \$128,856,599 at 31 December 2020. 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 22,820,330 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
1,000,000	\$0.83	30 June 2022
7,000,000	\$0.81	30 June 2023
3,221,170	\$0.83	31 December 2022
1,818,171	\$0.83	31 December 2023
1,546,855	\$0.81	31 December 2023
333,333	\$0.47	31 December 2023
1,622,191	\$0.83	31 December 2024
1,368,757	\$0.81	31 December 2024
333,333	\$0.47	31 December 2024
1,243,186	\$0.81	31 December 2025
333,334	\$0.47	31 December 2025
<b>22,820,330</b>		

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:

- 7,000,000 options with an exercise price of \$0.81, expiring on 30 June 2023
- 1,546,855 options with an exercise price of \$0.81, expiring on 31 December 2023
- 333,333 options with an exercise price of \$0.47, expiring on 31 December 2023
- 1,368,757 options with an exercise price of \$0.81, expiring on 31 December 2024
- 333,333 options with an exercise price of \$0.47, expiring on 31 December 2024
- 1,243,186 options with an exercise price of \$0.81, expiring on 31 December 2025
- 333,334 options with an exercise price of \$0.47, expiring on 31 December 2025

The following options lapsed during the financial year:

- 4,832,221 options with an exercise price of \$1.34, expiring on 30 June 2025
- 7,342,397 options with an exercise price of \$1.29, expiring on 31 December 2025

No options were cancelled during the financial year.

For full details refer to note 18.

f) Summary of Options Granted under the Long Term Incentive (LTI) Plan

	31 December 2020		31 December 2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Opening Balance	\$1.19	22,836,150	\$1.81	43,749,618
Granted	\$0.78	12,158,798	\$0.83	9,480,508
Exercised	-	-	-	-
Cancelled	-	-	\$0.83	(1,818,976)
Lapsed	\$1.31	(12,174,618)	\$2.04	(28,575,000)
	<b>\$0.91</b>	<b>22,820,330</b>	<b>\$1.19</b>	<b>22,836,150</b>
Vested and exercisable at year end	\$0.81	17,919,529	\$1.02	7,221,170





## 13. Reserves

	31 December 2020 \$	31 December 2019 \$
Share-based payments reserve	25,221,088	23,345,124
Foreign exchange translation reserve	4,142,273	5,784,097
Option premium reserve	1,000	1,000
	<b>29,364,361</b>	<b>29,130,221</b>
<b>Movements in Reserves</b>		
<i>Share-based payments reserve</i>		
Opening balance	23,345,124	21,010,270
Share-based payments expense	1,875,964	2,334,854
<b>Closing balance</b>	<b>25,221,088</b>	<b>23,345,124</b>

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 2020.

<i>Foreign exchange translation reserve</i>		
Opening balance	5,784,097	6,772,715
Foreign exchange translation difference	(1,641,824)	(988,618)
<b>Closing balance</b>	<b>4,142,273</b>	<b>5,784,097</b>

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

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

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

## 14. Accumulated Losses

<b>Movements in accumulated losses were as follows</b>		
Opening balance	(48,770,449)	(41,244,365)
Loss for the period	(24,390,718)	(7,526,084)
<b>Closing balance</b>	<b>(73,161,167)</b>	<b>(48,770,449)</b>

31 December 2020  
\$31 December 2019  
\$

## 15. Directors and Other Key Management Personnel Disclosures

### Remuneration of Directors and Other Key Management Personnel

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

Short term employee benefits	1,676,361	2,481,579
Share-based payments	745,811	1,111,598
Post-employment	5,238	10,649
<b>Total</b>	<b>2,427,410</b>	<b>3,603,826</b>

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 2020	31 December 2019
KCL Resources Limited	Australia	100%	100%
Geocalci 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 that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

### a) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and 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.

### b) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to cash and cash equivalents with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables, security deposits and payables are non-interest bearing.

At 31 December 2020, the variable interest rate exposure of the Group was:

	31 December 2020 \$	31 December 2019 \$
<b>Interest bearing financial instrument</b>		
Cash at bank or at hand	20,202,057	39,980,018

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 year ended 31 December 2020 no interest was earned and \$12,853 was charged on Euro balances, reflecting the fact that interest rates on Euro balances are negative. In 2019 interest earned on Australian dollar balances totalled \$566 and charges on Euro balances were \$60,018.

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.



### Interest rate sensitivity

The Company's interest rate sensitivity is determined by the amount of cash it holds in Euros and the Euro interest rate which is currently negative 0.4%.

A sensitivity of 75 basis points has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 0.75% movement in interest rates at the reporting date would have increased or decreased the post tax loss by the amounts shown below based on the average amount of interest bearing financial instruments held. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Effect on Post Tax Loss (\$) (Increase)/decrease		Effect on Equity incl. accumulated losses (\$) Increase/(decrease)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Increase 75 basis points	151,515	299,850	151,515	299,850
Decrease 75 basis points	(151,515)	(299,850)	(151,515)	(299,850)

### 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 in the statement of financial position. The Company holds financial instruments with credit worthy third parties. At 31 December 2020, 99% of the Company's cash and cash equivalents were held in financial institutions with a rating from Standard & Poors of BBB+ or above (long term). The Company had no past due or impaired debtors as at 31 December 2020.

### d) Foreign Currency Risk

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures may be 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 2020	31 December 2019	31 December 2020	31 December 2019
Euro	4,377,015	5,223,706	20,047,095	40,494,872
US dollars	-	23,240	12,697	14,111
GB pounds	17,449	14,590	-	-
Canadian dollars	-	-	-	-
<b>Total</b>	<b>4,394,464</b>	<b>5,261,536</b>	<b>20,059,792</b>	<b>40,508,983</b>

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 of 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 (\$)
<b>31 December 2020</b>		
Profit or loss	1,740,593	(1,424,120)
Other equity	1,740,593	(1,424,120)
<b>31 December 2019</b>		
Profit or loss	3,916,383	(3,204,313)
Other equity	3,916,383	(3,204,313)

### 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 2019 or 31 December 2020.

## 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 2020 \$	31 December 2019 \$
Options granted during the period	767,961	1,803,299
Options granted in prior periods	1,108,003	531,555
	<b>1,875,964</b>	<b>2,334,854</b>

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 2020:

Grant Date	Expiry date	Exercise price	Granted during the period	Exercised during the period	Cancelled during the period	Number at end of the period	Exercisable at end of the period
27/05/2020	30/06/2023	\$0.81	6,000,000 <sup>1</sup>	-	-	6,000,000	6,000,000
25/06/2020	30/06/2023	\$0.81	1,000,000 <sup>2</sup>	-	-	1,000,000	1,000,000
25/06/2020	31/12/2023	\$0.81	1,546,855 <sup>3</sup>	-	-	1,546,855	1,546,855
15/09/2020	31/12/2023	\$0.47	333,333 <sup>4</sup>	-	-	333,333	333,333
25/06/2020	31/12/2024	\$0.81	1,368,757 <sup>5</sup>	-	-	1,368,757	-
15/09/2020	31/12/2024	\$0.47	333,333 <sup>6</sup>	-	-	333,333	-
25/06/2020	31/12/2025	\$0.81	1,243,186 <sup>7</sup>	-	-	1,243,186	-
15/09/2020	31/12/2025	\$0.47	333,334 <sup>8</sup>	-	-	333,334	-
			<b>12,158,798</b>	<b>-</b>	<b>-</b>	<b>12,158,798</b>	<b>8,880,188</b>

<sup>1</sup> Options granted to Non-Executive Directors at the Company's AGM on 27 May 2020. There are no service vesting or performance vesting conditions in respect of these options.

<sup>2</sup> Options granted to an external consultant and Non-Executive Director of Geocalci SLU. There are no service vesting or performance vesting conditions in respect of these options.

<sup>3</sup> Options granted to the Chief Financial Officer and other employees. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2020.

<sup>4</sup> Options granted to the Chief Executive Officer. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2020.

<sup>5</sup> Options granted to the Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2021.

<sup>6</sup> Options granted to the Chief Executive Officer. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2021.

<sup>7</sup> Options granted to the Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2022.

<sup>8</sup> Options granted to the Chief Executive Officer. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2022.

The model inputs for options granted during the year ended 31 December 2020 included:

- a) options were granted for no consideration;
- b) expected lives of the options range from 3.1 to 5.5 years;
- c) share price at grant date of \$0.420 (27 May 2020), \$0.450 (25 June 2020) and \$0.525 (15 September 2020);
- d) expected volatility from 49.15% to 49.63%;
- e) expected dividend yield of Nil; and
- f) a risk free interest rate from 0.23% to 0.26%.

The table below summarises options granted during the year ended 31 December 2019:

Grant Date	Expiry date	Exercise price	Granted during the period	Exercised during the period	Cancelled during the period	Number at end of the period	Exercisable at end of the period
23/05/2019	30/06/2022	\$0.83	1,000,000 <sup>1</sup>	-	-	1,000,000	1,000,000
21/06/2019	31/12/2022	\$0.83	3,221,170 <sup>2</sup>	-	-	3,221,170	3,221,000
21/06/2019	31/12/2023	\$0.83	2,779,471 <sup>3</sup>	-	(961,300) <sup>5</sup>	1,818,171	-
21/06/2019	31/12/2024	\$0.83	2,479,867 <sup>4</sup>	-	(857,676) <sup>5</sup>	1,622,191	-
			<b>9,480,508</b>	<b>-</b>	<b>(1,818,976)</b>	<b>7,661,532</b>	<b>4,221,000</b>

<sup>1</sup> Options granted to the new Non-Executive Chairman appointed at the Company's AGM on 23 May 2019. There are no service vesting or performance vesting conditions in respect of these options.

<sup>2</sup> Options granted to the then Managing Director, Chief Financial Officer and other employees. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2019.

<sup>3</sup> Options granted to the then Managing Director, Chief Financial Officer and other employees. The options vested, as applicable, on satisfaction of the recipients' continued employment vesting condition at 31 December 2020.

<sup>4</sup> Options granted to the then Managing Director, Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2021.

<sup>5</sup> Options cancelled relate to options granted to the then Managing Director Mr. Albert during the period which had a vesting condition of continuing employment on 31 December 2020 and 31 December 2021. Mr. Albert's resignation on 31 January 2020, which was announced on 6 December 2019, means that this vesting condition would not be fulfilled.

The model inputs for options granted during the year ended 31 December 2019 included:

- a) options were granted for no consideration;
- b) expected lives of the options range from 3.1 to 5.5 years;
- c) share price at grant date ranged from \$0.685 to \$0.900;
- d) expected volatility of 58%;
- e) expected dividend yield of Nil; and
- f) a risk free interest rate of 0.89%.



## 19. Geographic Segment Analysis

### a) Net interest (paid)/received

	31 December 2020 \$	31 December 2019 \$
Australia	-	(59,452)
Spain	(12,853)	-
	<b>(12,853)</b>	<b>(59,452)</b>

### b) Non-current Assets

Australia	-	-
Spain	112,877,021	117,599,783
	<b>112,877,021</b>	<b>117,599,783</b>

## 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 2020 (December 2019: Nil).

## 22. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2020 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 2020.

## 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 160 community projects.

## 24. Commitments

At 31 December 2020, 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 2020 amounted to approximately \$85m. Of this amount approximately \$80m will only become commitments once Notices to Proceed are issued to equipment suppliers, which will only occur once sufficient permitting and financing has been achieved. In the meantime, the contracts are able to be terminated by the Company at any point in time. The amount payable following termination would be approximately \$2.2m.

## 25. Parent Entity Information

The following information relates to the parent entity, Highfield Resources Limited, at 31 December 2020 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 2020 \$	31 December 2019 \$
Current assets	19,642,972	39,872,950
Total assets	128,358,389	153,052,297
Current liabilities	(120,131)	(308,437)
Total liabilities	(120,131)	(308,437)
<b>Net assets</b>	<b>128,238,258</b>	<b>152,743,860</b>
Issued capital	172,653,405	172,618,930
Reserves	25,222,089	23,346,124
Accumulated losses	(69,637,236)	(43,221,195)
<b>Total Equity</b>	<b>128,238,258</b>	<b>152,743,860</b>
Loss of the parent entity	(26,416,041)	(8,705,815)
Other comprehensive income for the period	-	-
<b>Total comprehensive loss of the parent entity</b>	<b>(26,416,041)</b>	<b>(8,705,815)</b>

# Directors' Declaration

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

In the opinion of the Directors:

- a) the financial statements and notes of Highfield Resources Limited for the year ended 31 December 2020 are in accordance with the Corporations Act 2001, including:
  - ii) complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - iii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date, and
- d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- e) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

This declaration has been made after receiving the declaration by the Chief Executive Officer 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 2020.

On behalf of the Board



**Richard Crookes**  
**Independent Non-Executive Chairman**

Adelaide, Australia  
30 March 2021

# Auditor's Independence Declaration



## *Auditor's Independence Declaration*

As lead auditor for the audit of Highfield Resources Limited for the year ended 31 December 2020, 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.

A handwritten signature in black ink, appearing to read 'Andrew Forman', is positioned above the printed name.

Andrew Forman  
Partner  
PricewaterhouseCoopers

Adelaide  
30 March 2021

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# Independent Auditor's Report



## *Independent auditor's report*

To the members of Highfield Resources Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Highfield Resources Limited (the Group) 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 2020 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 2020
- the consolidated statement of changes in equity for the year ended
- the consolidated statement of cash flows for the year ended
- the consolidated statement of profit or loss and other comprehensive income for the year ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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#### *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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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### *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**

- For the purpose of our audit we used overall Group materiality of \$1.3 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.

#### **Audit Scope**

- 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 SLU 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 that 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 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*

##### *Carrying value of exploration and evaluation assets (Refer to note 10)*

The Group accounts for exploration and evaluation activities in accordance with the policy in note 2(f) of the financial report.

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.

The carrying value of exploration and evaluation assets was considered a key audit matter given the financial significance of the balance and the significant judgements required by the Group in determining the carrying amount as outlined above.

We performed the following procedures amongst others:

- Evaluated the Group's assessment that there had been no indicators of impairment on projects capitalised at 31 December 2020 with reference to the requirements of Australian Accounting Standards.
- Considered the latest available information regarding the projects through inquiries of management and the directors, 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 status of licences, to assess whether the Group retained right of tenure. Where a licence was pending, we assessed the Group's expectation of renewal of the licence.
- 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.

We also evaluated the reasonableness of the disclosures against the requirements of Australian Accounting Standards.



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### *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 2020, 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.

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### *Responsibilities of the Directors for the financial report*

The Directors 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.

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### *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: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.





## *Report on the remuneration report*

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### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 66 to 79 of the Directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Highfield Resources Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

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### *Responsibilities*

The Directors 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  
30 March 2021







# 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 as at 10 March 2021.

## Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	209	86,029
1,001 - 5,000	364	1,091,107
5,001 - 10,000	330	2,712,110
10,001 - 100,000	847	30,631,027
100,001- and over	236	295,079,898
<b>TOTAL</b>	<b>1,986</b>	<b>329,600,171</b>

There were 151 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 PTY LTD	124,819,8138	37.87
WWB INVESTMENTS PTY LTD	20,009,450	6.07
MR. WARREN WILLIAM BROWN + MRS. MARILYN HELENA BROWN	15,030,550	4.56
BNP PARIBAS NOMINEES PTY LTD	14,872,022	4.51
MR. DEREK CARTER + MRS. CARLSA CARTER <SALAMANCA SUPER FUND>	7,721,504	2.34
CITICORP NOMINEES PTY LTD	4,679,253	1.42
MR. DANIEL EDDINGTON + MRS. JULIE EDDINGTON	3,870,000	1.17
BRING ON RETIREMENT LTD	3,424,343	1.04
MR. CRAIG PETER BALL + MRS. SUZANNE KATHERINE BALL	3,292,384	1.00
MR. BENJAMIN JOHN HAAN <THE HAAN FAMILY A/C>	3,073,000	0.9
CELTIC CAPITAL PTE LTD <INVESTMENT 1 A/C>	3,000,000	0.91
MR. MICHAEL ANDREW WHITING + MRS. TRACEY ANNE WHITING <WHITING FAMILY S/F A/C>	2,715,718	0.82
JONERIC PTY LTD <D. STHEPENS FAMILY A/C NO 2>	2,701,076	0.82
PETER DAVID FERGUSON PTY LTD <PD FERGUSON S/F/ A/C>	2,567,000	0.78
WOOTOONA INVESTMENTS PTY LTD	2,150,538	0.65
CRX INVESTMENTS PTY LTD	2,000,000	0.61
KANBAH PTY LTD <KANBAH SUPER FUND A/C>	2,000,000	0.61
DORICA NOMINEES PTY LTD	2,000,000	0.61
CARINYA INVESTMENTS PTY LTD	1,870,000	0.57
HGT INVESTMENTS PTY LTD	1,750,076	0.53
	<b>222,835,018</b>	<b>67.61</b>



## 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 10 March 2021.

Title of class	Registered holder of securities	Identity of person or Group	Date of last notice	Number owned	Percentage of total voting rights <sup>2</sup>
Ordinary Shares	JP Morgan Nominees Australia Limited	EMR Capital Investment (No. 2) Pte Ltd <sup>1</sup>	15/02/2015	104,038,875	31.57%
Ordinary Shares	JP Morgan Nominees Australia Limited	Australian Super Pty Ltd <sup>1</sup>	28/07/2017	16,922,983	5.13%
Ordinary Shares	Various holders	WWB Investments Pty Ltd <sup>1</sup>	08/11/2017	35,040,000	10.63%

<sup>1</sup> Being the group listed and its associated entities

<sup>2</sup> The percentages quoted are based on the total voting rights conferred by ordinary shares in the Company as at 10 March 2021 of 329,600,171.

## Unlisted Options

Class	Number	Holders with more than 20%
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; and Brian Jamieson 1,000,000 options.
Options over ordinary shares exercisable at \$0.83 on or before 30 June 2022	1,000,000	Richard Crookes 1,000,000 options.
Options over ordinary shares exercisable at \$0.83 on or before 31 December 2022	3,221,170	Sonedala Albert 1,114,064 options.
Options over ordinary shares exercisable at \$0.83 on or before 31 December 2023	1,818,171	Mike Norris 445,980 options.
Options over ordinary shares exercisable at \$0.83 on or before 31 December 2024	1,622,191	Mike Norris 397,905 options.
Options over ordinary shares exercisable at \$0.81 on or before 31 December 2023	1,546,855	Mike Norris 376,348 options.
Options over ordinary shares exercisable at \$0.81 on or before 31 December 2024	1,368,757	Mike Norris 333,016 options.
Options over ordinary shares exercisable at \$0.81 on or before 31 December 2025	1,243,186	Mike Norris 302,463 options.
Options over ordinary shares exercisable at \$0.47 on or before 31 December 2023	333,333	Ignacio Salazar 333,333 options.
Options over ordinary shares exercisable at \$0.47 on or before 31 December 2024	333,333	Ignacio Salazar 333,333 options.
Options over ordinary shares exercisable at \$0.47 on or before 31 December 2025	333,334	Ignacio Salazar 333,334 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 2020.

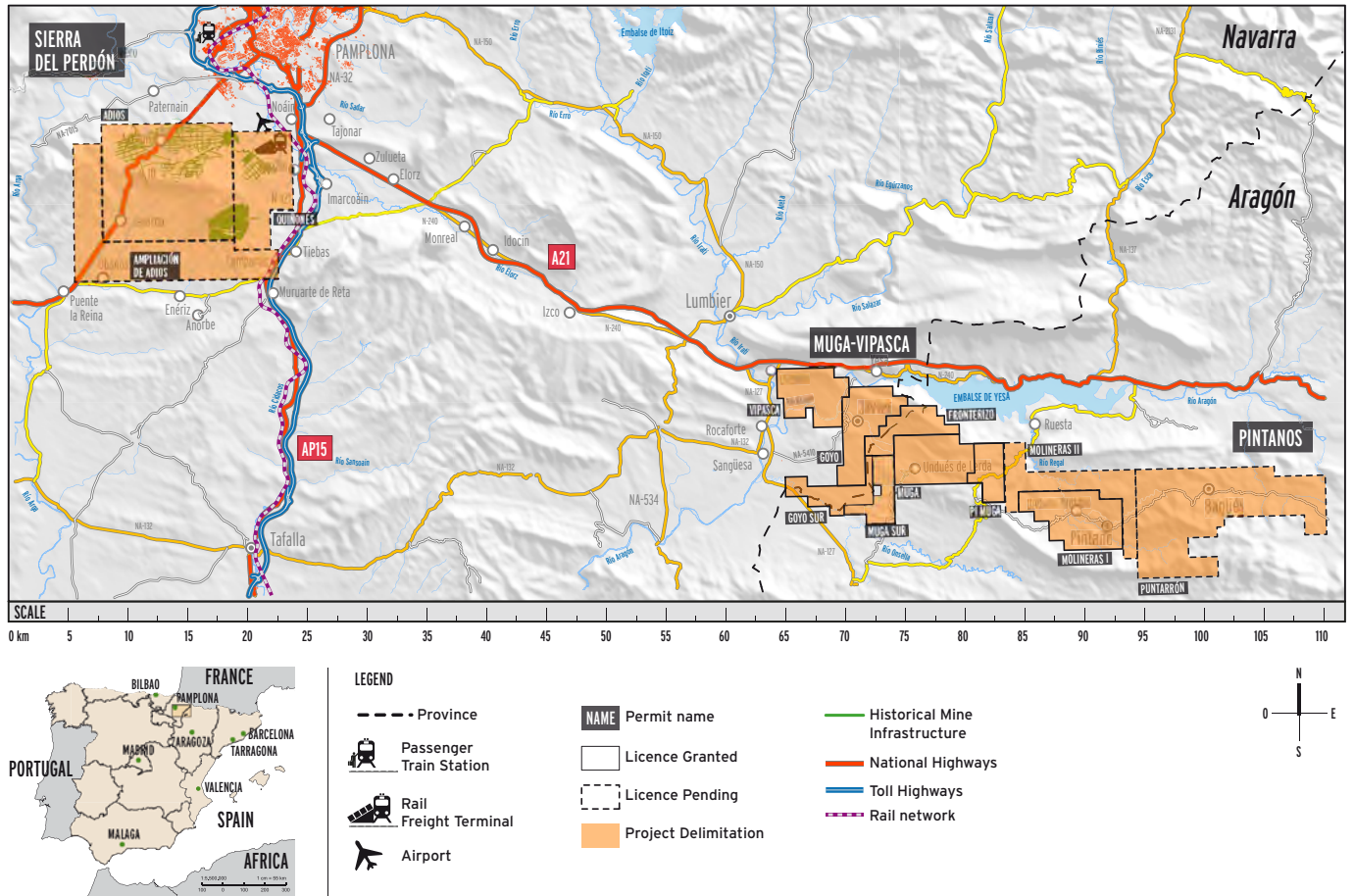
## Schedule of Tenements

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 <sup>2</sup>	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	Application in process	35880	40.90	Geoalcali SLU	100%
							<b>123.18</b>		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	14.10	Geoalcali SLU	100%
							<b>14.10</b>		
Muga	Navarra	Goyo (area under concession progress)	Investigation	19/07/2011	24/12/2012	35780	14.79	Geoalcali SLU	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	13/12/2019	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	Muga (area under concession progress)	Investigation	29/05/2013	07/04/2014	3500	15.08	Geoalcali SLU	100%
Muga	Aragón	Muga (area outside concession progress)	Investigation	29/05/2013	07/04/2014	3500	5.32	Geoalcali SLU	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	30/06/2020	3524	7.28	Geoalcali SLU	100%
							<b>60.13</b>		
Pintanos	Aragón	Molineras 1	Investigation	20/11/2012	06/03/2014	3495/10	18.20	Geoalcali SLU	100%
Pintanos	Aragón	Molineras 2	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%
							<b>65.24</b>		
						<b>Total</b>	<b>262.65</b>		



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 - Vipasca Potash Project

The Review of Operations contained within this annual report was prepared by Mr. Ignacio Salazar, CEO 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. Fardell takes responsibility for the Mineral Resource Statement presented here.

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. Ignacio Salazar, CEO 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 Code 2012 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.

## Muga – Vipasca Mineral Resource Revision

The Company has prepared an updated MRE for the Project as at 31 December 2020 which has been audited by SRK Consulting UK Ltd. Refer to the following page for full details.

The updated Mineral Resource Statement for the Project authored by SRK has not changed materially from the previous statement released in June 2018. The Mineral Resource tonnage has increased by 14.86 Mt to 282.26 Mt and the grade of the Mineral Resource has decreased slightly from 12.4% K<sub>2</sub>O to 11.8% K<sub>2</sub>O. The main reason for these changes is the new drilling in the Vipasca permit area which added new areas to the Mineral Resource.

In addition, to better reflect the structure of the Muga-Vipasca deposit, the thickness interpolation parameters have been changed, in order to produce a more geologically accurate model.

The new interpolation has decreased the thicknesses of the potash horizons at the edges of the basin which has slightly decreased the tonnage in the Muga permit area, while the lower grade intercepts in Vipasca have influenced the grades at the western edge of the Muga permit, which has slightly decreased the block model grades at the western edge of that permit.

The total Measured and Indicated Mineral Resources have been increased by 2.58 Mt to 237.3 Mt with an average grade of 12.0% K<sub>2</sub>O. The Inferred Mineral Resources have increased in tonnage from 32.6 Mt to 44.93 Mt and decreased in grade from 12.9% to 10.8% K<sub>2</sub>O. SRK does not expect the changes in the updated Mineral Resource Statement to have any material impact on the current mine plan.

## External Memorandum

<b>To:</b>	Lucia Martin	<b>From:</b>	Anna Fardell;
<b>Company:</b>	Geoalcali S.L.	<b>Project Number:</b>	UK30954
<b>Copied to:</b>	Mike Armitage	<b>Project Title:</b>	Muga-Vipasca review
<b>File Ref:</b>	30954 Muga Vipasca MRE Statement 2020 Final.docx	<b>Date:</b>	28 February 2021
<b>Subject:</b>	<b>MUGA-VIPASCA MRE 2020</b>		

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### 1 BACKGROUND

Geoalcali S.L. (Geoalcali) has requested SRK Consulting UK Ltd (SRK) to audit an updated Mineral Resource Estimate (MRE) which has been produced in-house for the Muga Project (the Project) and which will supersede the MRE reported for the Project in 2018.

The 2018 MRE comprised mineralisation in the Muga Licence area only. Since this time an additional seven drillholes have been completed in and adjacent to the Vipasca Licence area (which borders the northwestern limit of the Muga Licence) with a total meterage of 6,539m.

The aim of the drilling was to extend the previously reported MRE into the Vipasca Licence area. A structural analysis of the Project has however delineated a geological feature at the contact between the two licence areas and this appears to be associated with thinner and lower grade potash seams as shown in drillholes V17-03 and V18-05. To the west of this however, in the Vipasca License area itself, the potash seams increase again in thickness and grade until V16-01 which did not intersect potash and was terminated at a depth of 1022.2m. The drilling also delineated the basin edge to the north-northeast of the Vipasca Licence area indicated by the presence of faulting and lack of development of the P0 seam.

In general, while the stratigraphy in the Vipasca Licence area dips to the southwest and is conformable with that in the Muga Licence area, the geology is more complex than the Muga Licence area and the grade and thickness of the potash seams are lower. Despite these differences, however, the potash seams can be correlated with confidence within and between these areas and there is sufficient data quantity and quality to enable the Mineral Resource to be extended into the Vipasca Licence area as intended.

## 2 MINERAL RESOURCE ESTIMATE

### 2.1 Exploration Drilling

Six of the holes that have been drilled since the last MRE was produced have been in the Vipasca Licence area itself and one, V18-05, was drilled close to the limit of the Muga licence. All holes were drilled vertically and the spacing between them varies between 500m and 1100m.

The statistics for the thicknesses and grades (%K<sub>2</sub>O) of the potash seams intersected in the new drillholes is shown in Table 2-1. This shows that generally the potash seams intersected in the Vipasca Licence area are thinner and of lower grade than in the Muga Licence area.

**Table 2-1: Drillhole Statistics for the Vipasca licence**

Seam	No Intercepts	Min Thickness (m)	Max Thickness (m)	Average Thickness (m)	Min %K <sub>2</sub> O	Max %K <sub>2</sub> O	Average %K <sub>2</sub> O
P0	6	1.8	4.8	2.8	8.0	14.1	10.3
PA	6	1.2	2.1	1.8	5.2	12.3	9.8
PB	6	1.2	2.1	1.7	5.0	10.9	8.8
P1	5	0.6	3.9	2.0	1.8	14.2	9.4
P2	6	0.1	8.1	3.0	4.2	17.3	10.7

### 2.2 Geological Modelling

#### 2.2.1 Potash Seam Interpretation

The geological modelling approach is consistent with the previous approach adopted for the 2018 estimate. Six potash seams have been modelled which are stratigraphically, from oldest to youngest, P4, P2, P1, PA, PB and P0. The intercepts have been identified lithologically in the drillholes based on visual logging and chemical analysis. There is no minimum grade or minimum thickness applied to the drillhole intercepts used to define the model. This approach was taken to ensure the model had enough data to represent the continuity of the potash seams at the drillhole spacing.

#### 2.2.2 Thickness Interpolation

The thickness of the individual seams was interpolated into a 25m x 25m grid mesh, to best honour the fault interpretation, using Inverse Distance to the Power three (IPD3) with a minimum of one composite and a maximum of 15 composites. The search ellipse was aligned with the basin axis (120°) and had a radius of 4,000m along strike and 2,000m across strike.

The seam floor surfaces were interpolated by Least Squares to the Power 3 with an isotropic search ellipse with a radius of 4,000m. A minimum of one sample and a maximum of 20 samples was used in this interpolation.

The model extents are shown in Table 2-2 below.

**Table 2-2: Block Model Origin and Extents for Structural Model**

Axis	Origin	Block Size	No of Blocks	Model Extent
X	642000	25	600	657000
Y	4712600	25	336	4721000
Z	-1500	2750	1	1250

The thickness parameters were changed from the previous year and appear to have produced a more geologically correct model with the thickness of the units consistently thinning to the basin edges. This has resulted in the creation of thinner areas than previously modelled which has led to a slight decrease in volume and tonnes in these areas.

## 2.3 Grade Interpolation

The grades were interpolated into the potash seams by Ordinary Kriging using the previous PB variogram parameters adjusted to the variance of the new dataset, Table 2-3. The search ellipse was aligned with the principal variogram direction and the axis of the basin (120°). The grades (%K<sub>2</sub>O, %Na<sub>2</sub>O, %MgO, %CaSO<sub>4</sub> and % Insolubles) were estimated in two passes. The interpolation parameters used are shown in Table 2-4. A larger block size of 250m x 250m was used for the grade interpolation as this was considered more appropriate given the wide spacing of the drillhole composites.

**Table 2-3: Normalised PB Variogram Parameters used in Estimation**

Variable	C0 (Nugget)	C1 (Partial sill)	Range (m)	
			Along Strike	Across Strike
K <sub>2</sub> O	0.22	0.78	2500	500
MgO	0.25	0.75	2500	1600
Na <sub>2</sub> O	0.26	0.74	1200	350
CaSO <sub>4</sub>	0.25	0.75	1000	675
Insolubles	0.29	0.71	1000	350

**Table 2-4: Search Ellipse Parameters**

Search Pass	Azimuth	Search Radius (m)		No Samples	
		Along Strike	Across Strike	Minimum	Maximum
1	120	1500	1000	6	10
2		2500	1600	3	10

## 2.4 Model Validation

The model was visually and statistically validated against the input data and it was found that the model compared well with the input data and incorporated an appropriate level of smoothing.

## 2.5 Mineral Resource Classification

### 2.5.1 Approach

The classification of the Muga area is unchanged since the 2018 MRE as there is no new information in this area of the deposit and there has just been a minor re-modelling of the geology. The classification of the Vipasca area has however been assessed by Geoalcali and SRK on its own merits as even though it is believed to be an extension of the Muga basin, the geology is more complex.

Specifically this classification has taken into account:-

- the quality and quantity of data used in the estimation;
- the geological knowledge and understanding, focusing on geological and grade continuity above the 8% K<sub>2</sub>O reporting cut-off grade;
- the quality of the geostatistics and interpolated block model; and
- SRK's experience with other deposits of similar style.



### *Quality of Data*

There is no historical drilling in the Vipasca Licence area and the quality control procedures for drilling, logging, sampling and assaying followed on site during the recently completed drilling are considered to have produced sufficiently reliable and consistent data to enable the reporting of Mineral Resources in the Measured, Indicated and Inferred confidence levels.

### *Quantity of Data*

The Vipasca Licence area has been drilled to an irregular grid of between 500 m and 1,100 m with 500 m spacing down dip and up to 1100 m spacing along strike.

### *Geological Knowledge and understanding / geological and grade continuity*

The geology of the potash horizons has been shown to be more complex in the more distal environment of the Vipasca Licence area and the P0, PA and PB seams are not as well developed as they are in the Muga Licence area. A geological feature occurs trending northwest-southeast at the boundary between the two areas and is represented by poorly developed potash seams and steeper dips. Notwithstanding this, the P1 and P2 potash horizons have been shown to be continuous geologically above a cut-off grade of 8% K<sub>2</sub>O when correlated between the drillholes. The P0, PA and PB seams, however, only occur in small areas above an 8% K<sub>2</sub>O cut-off grade because they are less well developed.

### *Quality of Geostatistics and Grade Interpolation*

Geostatistical analysis previously undertaken on the data collected from drillholes drilled in the Muga Licence area produced variograms that could be modelled and which reflected the expected continuity within the deposit given the sample spacing relative to the basin extents and these were adapted for use in the Vipasca Lice area. The resultant block model validates well when visually and statistically compared to the input composite data.

The application of Ordinary Kriging utilising well modelled variograms gives confidence to the local grade estimates especially in well drilled areas where the samples are spaced within the range of the variograms. With respect to the geostatistical analysis and grade interpolation, SRK considers the estimates to be of sufficient quality for the highest classification to be applied in the well drilled areas.

### *Mineral Resource Extent*

The Mineral Resource is limited to an extrapolation of 1000 m past the last drillhole where there is no geological information, such as the basin bounding faults or barren drillholes which limit the existence of potash. Notwithstanding this, the potash has been well constrained by the current drilling and geophysical studies although it remains open at depth to the west.

## **2.5.2 Classification Applied**

### *Vipasca Licence Area*

Due to the relative complexity of the Vipasca Licence area relative to the current drill spacing Indicated and Inferred Resources only have been reported for this.

Indicated Mineral Resources have been reported for those areas of the P1 and P2 seams where there is a drill spacing of 1,100 m or less as these seams show good continuity across the area. These areas visually reconcile against the input data and have been extended up to 800 m beyond the last drillhole within the geologically defined basin limits.

Inferred Mineral Resources have been reported for the P0, PA and PB seams as the potash in these is less well developed and there is therefore less drilling information to inform the model grade estimates in this area. These areas have been limited to 1,000 m past the last potash bearing drillhole and are limited geologically by fault boundaries.

#### *Muga Licence Area*

The classification approach used for the Muga Licence area remains as previously applied.

Measured Mineral Resources have been reported in well drilled areas (drill spacing less than 1000 m) which show the simplest geology and most consistent grade. The classification is extended up to 800 m beyond the last drillhole, dependant on the geological setting. These areas have been estimated with the maximum number of samples and show good visual and statistical reconciliation against the input sample data.

Indicated Mineral Resources have been reported for the more sparsely drilled areas, up to a drill spacing of 1,300 m, in areas of simple or moderate geological complexity and grade variability. The areas must also visually reconcile against the input data and are extended up to 800 m beyond the last drillhole.

Inferred Mineral Resources are those on the periphery of the basin where there is sparse information and less reliable grade estimates. These areas are limited to an extrapolation distance of 1,000 m past the last potash bearing drillhole and are limited geologically by fault boundaries. Inferred Resources are also classified where there is a single intersection within the potash horizon.

### **3 MINERAL RESOURCE STATEMENT**

In order to report Mineral Resources in accordance with the JORC Code, it must be demonstrated that the mineralisation has the potential for eventual economic extraction. To assess this consideration, SRK has been provided with the likely mining method and associated recoveries and costs by the Company.

The upper horizons, P0 to PB are likely to be mined in a continuous sequence in the central part of the Muga Basin as there is very little interburden between them. In this instance the minimum thickness of the total unit P0, PA and PB has been assessed to ensure thinner central horizons are not excluded. A minimum thickness of 1.7 m has been applied to this combined package of horizons. In other areas where the horizons separate and cannot be mined together a minimum mining thickness of 1.5 m has been applied on the assumption the proposed equipment can be selective to 1.7 m.

A minimum thickness of 1.5 m was also applied to the P1, P2 and P4 potash seams in order to constrain the Mineral Resources.

In addition, a cut-off calculation was derived to support the reporting of material above 8% K<sub>2</sub>O. The horizons were then visually assessed to delineate contiguous areas above cut-off and ensure they were still mining targets. It is assumed at this stage that the high levels of MgO seen in horizon PA could be managed through blending with adjacent horizons.

The cut-off grade was derived using technical and economic parameters provided by the Company. These are shown in the Table 3-1. SRK notes that the cut-off grade derived is considerably lower than the 8% applied. However, SRK deems a high cut-off grade appropriate as the processing recovery used in the calculation is not variable and applies to the average grade of the deposit. There is no testwork is available to support processing recoveries of 95% for grades lower than 8% K<sub>2</sub>O and therefore SRK considers it appropriate to apply this limit to the Resources reported herein.

**Table 3-1: Cut-off Parameters**

Parameters	Unit	Value
Processing Recovery	%	95
<b>Operational Costs</b>		
Mining Cost	USD/t <sub>ore</sub>	7.2
Processing Cost	USD/t <sub>ore</sub>	8.22
Sustaining Capex	USD/t <sub>ore</sub>	1.36
G&A Cost	USD/t <sub>ore</sub>	1.02
Project Capex	USD/t <sub>ore</sub>	7.68
Logistics, Transportation and Port Handling	USD/t <sub>product</sub>	17
<b>Selling Price</b>		
Muriate of Potash	USD/t <sub>product</sub>	327

The SRK Mineral Resource Statement is shown in Table 3-2. The extent of the Mineral Resource is between 180 m and 1400 m below surface and it is contained entirely within the Investigation and Mining Permits held by the Company. The Mineral Resources have been presented according to licence area. The Mineral Resource Statement was produced in August 2020 and is based on the information available at that time. The estimate was produced by Ms Lucia Martin of Geocali S.L under the guidance and review of Ms Anna Fardell, the Competent Person who is a member of the Australian Institute for Geoscientists (member number 6555).

Ms Fardell is a full-time employee of SRK and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she has undertaken to qualify as a Competent Person as defined by the JORC Code.

**Table 3-2: Audited SRK Mineral Resource Statement for the Muga Potash Deposit effective date August 2020**

Classification	Area	Horizon	Density (g/cm <sup>3</sup> )	Tonnage (Mt)	%K <sub>2</sub> O	%MgO	%Na <sub>2</sub> O	% Insolubles	True Thickness (m)	
Measured	Muga	P0	2.1	10.18	9.8	0.2	25.9	23.3	2.0	
		PA	2.0	17.81	11.7	0.8	24.2	20.3	1.7	
		PB	2.1	38.07	12.9	0.2	26.9	19	3.5	
		P1	2.2	20.53	12.5	0.1	31.5	17.1	2.8	
		P2	2.2	16.6	12.9	0.1	24.3	13.4	3.0	
Sub-total Measured			2.1	103.19	12.3	0.3	26.8	18.4		
Indicated	Muga	P0	2.1	34.47	10.1	0.5	27.7	28.5	4.1	
		PA	1.9	19.43	12.4	2	22.8	20.8	2.0	
		PB	2.1	17.69	11.8	0.4	27.4	20.6	1.6	
		P1	2.2	34.22	12.8	0.1	30.7	17.1	5.6	
		P2	2.2	11.72	12.9	0.1	26	14	3.4	
	Sub-total			2.1	117.53	11.8	0.6	27.5	21.3	
	Vipasca	P1	2.2	5.75	10.7	0.1	30	17.9	1.8	
		P2	2.2	10.86	11.2	0	31.1	18.7	2.8	
		Sub-total			2.2	16.61	11	0	30.7	18.4
	Sub-total Indicated			2.1	134.14	11.7	0.5	27.9	20.9	
Measured + Indicated	Muga	P0	2.1	44.65	10	0.4	27.3	27.3	3.6	
		PA	1.9	37.24	12.1	1.4	23.5	20.6	1.9	
		PB	2.1	55.76	12.6	0.3	27.1	19.5	2.9	
		P1	2.2	54.75	12.7	0.1	31	17.1	4.6	
		P2	2.2	28.32	12.9	0.1	25	13.6	3.2	
	Sub-total			2.1	220.72	12.0	0.4	27.2	19.9	
	Vipasca	P1	2.2	5.75	10.7	0.1	30	17.9	1.8	
		P2	2.2	10.86	11.2	0	31.1	18.7	2.8	
		Sub-total			2.2	16.61	11	0	30.7	18.4
	Sub-total Measured + Indicated			2.1	237.33	12.0	0.4	27.5	19.8	
Inferred	Muga	P0	2.1	0.3	9.9	0.4	28.3	28.4	2.6	
		PA	1.9	0.16	11.8	2.4	24.3	21.8	1.2	
		P1	2.2	1.75	12.4	0.1	29.5	15.7	5.0	
		P2	2.2	6.02	13.1	0.1	27.5	15.3	3.0	
		P4	2.2	7.55	13.7	0.2	31.7	17.1	2.1	
	Sub-total			2.2	15.78	13.2	0.2	29.7	16.5	
	Vipasca	P0	2.1	10.43	8.9	0.1	26.1	30.6	2.9	
		PA	2.1	4.2	9.4	0.1	27	27.6	1.6	
		PB	2.1	3.79	8.4	0	29.2	25.2	1.7	
		P1	2.2	2.37	9.5	0	29.4	19.3	2.8	
		P2	2.2	8.36	10.5	0	31.2	19.6	5.6	
		Sub-total			2.1	29.15	9.4	0.1	28.4	25.4
	Sub-total Inferred			2.2	44.93	10.8	0.1	28.8	22.3	
	Grand Total	Muga	P0	2.1	44.95	10	0.4	27.3	27.3	3.6
			PA	1.9	37.4	12.1	1.4	23.5	20.6	1.9
PB			2.1	55.76	12.6	0.3	27.1	19.5	2.9	
P1			2.2	56.5	12.7	0.1	31	17.1	4.6	
P2			2.2	34.34	12.9	0.1	25.4	13.9	3.1	
Sub-total			2.1	236.5	12.1	0.4	27.4	19.7		
Vipasca		P0	2.1	10.43	8.9	0.1	26.1	30.6	2.9	
		PA	2.1	4.2	9.4	0.1	27	27.6	1.6	
		PB	2.1	3.79	8.4	0	29.2	25.2	1.7	
		P1	2.2	8.12	10.3	0.1	29.8	18.3	1.9	
		P2	2.2	19.22	10.9	0	31.1	19.1	3.1	
		Sub-total			2.2	45.76	10	0	29.2	22.9
<b>Total</b>			<b>2.1</b>	<b>282.26</b>	<b>11.8</b>	<b>0.4</b>	<b>27.7</b>	<b>20.2</b>		

\*Reported above a cut-off grade of 8% K<sub>2</sub>O and a minimum mining thickness (where horizons will be mined separately) of 1.5m

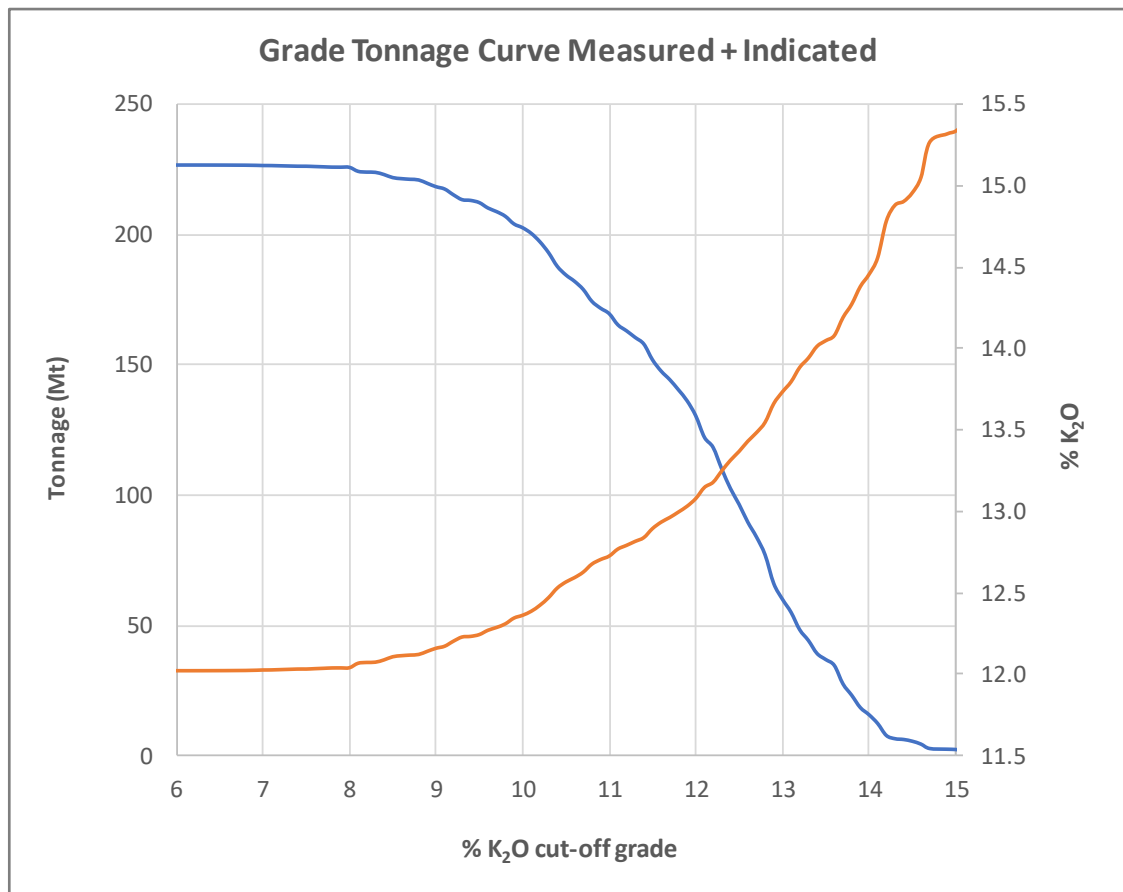
\*Insolubles refers to clays, gypsum and sulphates

\*Numbers have been rounded to reflect the relative level of accuracy and as such totals may include rounding discrepancies



## 4 GRADE-TONNAGE CURVE

Figure 4-1 shows the sensitivity of the mineralisation that satisfies the minimum mining thickness requirements to cut-off grade inclusive of that material below the cut-off grade used to report the above Mineral Resource. All of this mineralisation is above 6% K<sub>2</sub>O.



**Figure 4-1: Grade-Tonnage Curve for Mineralisation that satisfies the minimum mining thickness**

## 5 COMPARISON WITH PREVIOUS ESTIMATES

The updated Mineral Resource Statement for the Project has not changed materially from the previous statement released in June 2018, as reproduced in Table 5-1. below. The Mineral Resource tonnage has increased by 14.91 Mt to 282.26 Mt and the grade of the Mineral Resource has decreased from 12.4% K<sub>2</sub>O to 11.8% K<sub>2</sub>O. The reasons for the decrease in grade and additional tonnage are:

- New drilling in the Vipasca Licence area has added new areas to the Mineral Resource.
- Lower grade mineralisation was intersected at Vipasca than previously in the Muga Licence area.
- The new thickness interpolation has decreased the thicknesses of the potash horizons at the edges of the basin which has decreased the tonnage in the Muga Licence area slightly.
- The lower grade intercepts in Vipasca have influence the grades at the western edge of the Muga Licence which has decreased the block model grades at the western edge of that licence.

The Mineral Resource Statement shows that the tonnage in the Muga Licence area is 12.1% K<sub>2</sub>O as opposed to the Vipasca Licence area where the average grade is 10.0% K<sub>2</sub>O.

The total Measured and Indicated Mineral Resource has increased by 2.58 Mt and decreased in grade by 0.3% K<sub>2</sub>O which SRK does not expect to have any material impact on the mine plan. The Inferred Mineral Resource has increased in tonnage from 32.6 Mt to 44.93 Mt and decreased in grade from 12.9% to 10.8% K<sub>2</sub>O. This is due to the low-grade mineralisation added in the Vipasca Licence area which has been predominantly classified as Inferred.

**Table 5-1: Audited SRK Mineral Resource Statement for the Muga Potash Deposit effective date 30 June 2018**

Classification	Horizon	Density (g/cm <sup>3</sup> )	Tonnage (Mt)	% K <sub>2</sub> O	% MgO	% Na <sub>2</sub> O	% Insolubles	True thickness (m)
Measured	P0	2.1	10.29	9.8	0.2	25.1	23.3	2.3
	PA	2.0	18.22	11.8	0.8	24.2	20.0	2.0
	PB	2.1	38.14	13.1	0.2	27.3	18.4	4.1
	P1	2.2	15.36	12.3	0.1	31.5	16.7	3.5
	P2	2.2	9.76	13.7	0.1	19.8	11.9	2.1
	P4							
Sub-total Measured		2.1	91.77	12.4	0.3	26.3	18.3	
Indicated	P0	2.1	36.42	10.3	0.5	27.8	27.6	4.3
	PA	1.9	15.00	12.1	2.0	22.7	21.2	2.2
	PB	2.1	25.61	12.1	0.3	27.8	20.3	1.7
	P1	2.2	43.81	13.3	0.1	30.8	17.8	5.0
	P2	2.2	22.14	13.4	0.1	21.5	13.4	4.4
	P4							
Sub-total Indicated		2.1	142.98	12.2	0.4	27.2	20.4	
Measured + Indicated	P0	2.1	46.71	10.2	0.4	27.2	26.7	3.9
	PA	2.0	33.22	11.9	1.3	23.5	20.5	2.1
	PB	2.1	63.75	12.7	0.2	27.5	19.2	3.1
	P1	2.2	59.17	13	0.1	31	17.5	4.6
	P2	2.2	31.9	13.5	0.1	21	12.9	3.7
	P4							
Sub-total Measured + Indicated		2.1	234.75	12.3	0.4	26.9	19.6	
Inferred	P0	2.1	2.49	10.1	0.5	27.9	29.4	4.0
	PA	1.9	0.84	11.8	1.7	23.4	21.5	1.3
	PB	2.1	2.96	11.8	0.2	28	20	1.4
	P1	2.2	7.19	12.7	0.1	29.9	17	2.8
	P2	2.2	10.71	13.5	0.1	20.6	13.3	3.0
	P4	2.2	8.41	13.7	0.2	31.7	17.1	1.9
Sub-Total Inferred		2.2	32.6	12.9	0.2	26.8	17.1	
Grand Total	P0	2.1	49.2	10.2	0.4	27.2	26.8	3.9
	PA	2.0	34.06	11.9	1.4	23.5	20.6	2.1
	PB	2.1	66.71	12.7	0.2	27.5	19.2	3.1
	P1	2.2	66.36	13	0.1	30.9	17.5	4.4
	P2	2.2	42.61	13.5	0.1	20.9	13	3.5
	P4	2.2	8.41	13.7	0.2	31.7	17.1	1.9
Total		2.1	267.35	12.4	0.4	26.9	19.3	

\*Reported above a cut-off grade of 8% K<sub>2</sub>O and a minimum mining thickness (where horizons will be mined separately) of 1.5 m

\*Insolubles refers to clays, gypsum and sulphates

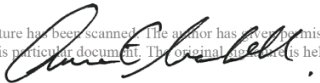
\*Numbers have been rounded to reflect the relative level of accuracy and as such totals may include rounding discrepancies

## 6 CONCLUDING REMARKS

The drilling completed in the Vipasca Licence area has enabled the Mineral Resource for the Project to be extended into this area. The geology of the Vipasca Licence area and the northwestern area of the Muga Licence area has however been shown by the drilling to be more complex than in the majority of the Muga Licence area and the potash seams are also thinner and lower grade. Given this, the updated MRE is not materially different to that produced in 2018. Notwithstanding this the work has improved the geological understanding of this area of the deposit and the confidence in the Mineral Resource as a whole.

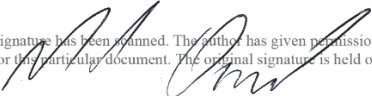
**For and on behalf of SRK Consulting (UK) Limited**

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Mike Armitage,  
Corporate Consultant (Resource Geology),  
**Project Director**  
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## **APPENDIX**

### **A TECHNICAL APPENDIX: JORC TABLE 1**

Table A-1. JORC Checklist of Assessment and Reporting Criteria  
Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>At Muga - Vipasca, 11 historic drillholes were drilled in the 1980s and in early 1991. Detailed lithology logs and analysis on core were completed.</li> <li>36 new holes have been drilled and cored since 2013 by Geoalcali Sociedad Limitada (Geoalcali), for a total of 46 holes on the property.</li> <li>The information on which HFR drilling campaigns was based was obtained from 17 drillholes and two wedged holes (from both Muga and Pintanos projects) drilled in 1990 and earlier. Historical exploration data collected by previous exploration efforts and acquired by the client, as well as publically available record sources, including technical reports and geological reports. The drilling programme complete in 1989-1990 was outlined in detail by E.N. Adaro. The historical programs, in general, were well-documented.</li> <li>The new drillholes have been geologically logged, photographed, and analysed. 24 out of 36 of the holes were geophysically logged, 18 through the mineralised zone. Following logging and photographing, samples are marked in 0.3 m intervals and numbered for analysis. Core is sawed with hydraulic oil as the lubricating agent; half core is retained and shrink-wrapped, and samples to be analysed are bagged and secured with plastic ties and boxed for shipping to ALS Global (ALS) for crushing, grinding and splitting. Cored samples are analysed by inductively coupled plasma- optical emission spectrometry (ICP-OES) and X-ray fluorescence (XRF) by ALS. Sample preparation is in Seville, Spain and analysis work is completed in Loughrea, County Galway, Ireland. The ALS laboratories used are internationally accredited in the procedures and test work carried out.</li> <li>The historical holes contributed to a Maiden Inferred Mineral Resource in November 2013 (Agapito Associates Inc.) and to several subsequent updates to the Mineral Resource estimates, including the one declared here. The historical drillholes containing potash mineralization were sampled using a 'grooving' technique. This was completed by sawing a shallow ditch or several cuts in the cores surface. The samples were then submitted for geochemical analyses. 570 geochemical results are available for the 1989-1990 drilling campaign. The results were obtained through the internal POSUSA laboratory and were analysed for KCl, MgCl<sub>2</sub>, NaCl, insolubles, and clay. The intervals listed for these samples reflect the thickness of the sample as measured in the drill core; however, true thicknesses for the sample intervals is outlined in the historical strip logs to account for structural dip of</li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>the intervals. Samples were typically limited to 30 cm or less to maintain good sample resolution. No original analysis results are available for the unknown former drilling programme (prior to 1980s). Results for Javier-3, Vistana, and Nogueras are summarized in the E.N. Adaro report. These drillholes were only analyzed for KCl, and therefore lack results pertaining to MgCl<sub>2</sub> (to determine carnallite content) or insolubles. It is unknown if the sample intervals account for true thicknesses based on structural dip or if they are simply reflective of the intervals as seen in drill core. No sample length restrictions are apparent as samples varied in thickness up to 1.74 m. The method of geochemical analyses is currently unknown for both the 1989-1990 drilling campaign and the other historical unknown drilling programme.</p> <ul style="list-style-type: none"><li data-bbox="1128 584 2056 715">• An attempt to re-survey historical collar locations was partially successful; however, in many cases the collars could not be located, and therefore were not accurately re-surveyed. Difficulties converting the historical survey results are still noted and some drillholes are plotted with limited confidence.</li><li data-bbox="1128 735 2056 794">• Geophysical wireline data and historical geological reports are of good quality and appeared to correlate reasonably well with historical assay results.</li></ul>

Criteria	JORC Code explanation	Commentary
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>• <i>Drill type (e.g., core, reverse circulation, open- hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g., core diameter, triple or standard tube, depth of diamond tails, face- sampling bit or other type, whether core is oriented and if so, by what method, etc.).</i></li> </ul>	<ul style="list-style-type: none"> <li>• Drilling procedures are unknown from historical Javier holes drilled prior to 1987, including drillholes Javier-2, Javier-3, Vistana, Nogueras, Molinar, and Undués de Lerda.</li> <li>• The drilling programme completed in 1989-1990 was outlined in detail by Empresa Nacional Adaro Investigaciones Mineras (E.N. Adaro 1989–1991). E.N. Adaro, state-owned group tasked with exploration and development of Spain’s Mineral Resources, produced detailed reports and “reserve” studies of the Javier-Pintanos area.</li> <li>• Historical drilling was completed with the Mayhew 1500 drill rig from June to August 1989. During this time, JP-1 through JP-4 were completed. Holes were drilled open hole to core point. The tricone bit used for open hole drilling was reduced through stages from 12 1/4-inch to 5 7/8-inch diameter. Upon completion, the hole was abandoned and cemented through the 8 1/2-inch diameter drillhole. Approximately 2,208 m were drilled in Muga, not accounting for some re-drilling in JP-3 and JP-4. For JP-3 and JP-4, the mineralised zone was drilled into and not cored for analysis. Both holes were re-drilled through the salt section to take the appropriate cores. No record of a re-drilled hole is available for JP-4; two sets of analyses were available for JP-3, listed as JP-3 and JP-3D. JP-3D was the re-drilled hole and was completely cored. Limited deviation data are available for JP-1, JP-2, JP-3, JP-3D, and JP-4 for the lower half/salt section and were used in the model. If no deviation surveys were found, then the holes were considered to be vertical.</li> <li>• In 2013, a drilling programme was initiated at Muga. Holes were cored from surface. When the top of salt is reached, the mud is re-formulated to a super-saturated brine to eliminate or diminish dissolution of the highly soluble evaporite minerals. Drilling has been contracted to Geonor Servicios Técnicos S.L. of Galicia, Spain, using a Christensen CS3000; and Fordia Golden Bear and Sondeos y Perforaciones Industriales del Bierzo (SPI) SPIDrill 260. Drilling was supervised by Highfield geologists.</li> </ul>



Criteria	JORC Code explanation	Commentary
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>• <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></li> <li>• <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></li> <li>• <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Detailed information on core recovery for the historical programme is not available, but the analysis data are largely complete over the mineralised zones.</li> <li>• Core recovery on the 2013–2019 drilling campaign averaged greater than 95% in Muga in the mineralised zones, although some samples show dissolution due to under saturated brine mud. Typically, these samples are thought to under-report the target potassium mineralogy because of the highly soluble nature of those minerals, but it is also possible that less desirable or deleterious mineralogy (i.e. MgO) may also under-report in this situation.</li> <li>• PQ core is the recommended diameter for core, but in some cases the hole is completed with HQ. Core sampling procedure is well-documented in the 2013–2017 drilling program. In total 12 drillholes (455.10 m) were drilled with PQ through the mineralised unit, another 19 drillholes (743.9 m) were completed with HQ diameter.</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>• <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></li> <li>• <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.</i></li> <li>• <i>The total length and percentage of the relevant intersections logged.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Lithology logs were completed for the historical drilling programs. The 1989–1990 drilling programme included Muga and Los Pintanos holes: Javier-3, JP-1, JP-2, JP-3D, JP-4, PP-2/2B, and PP-3. The sample intervals were comparable to industry standards (generally &lt;30 centimetres [cm]), but the methodology is unknown. Thirty centimetres is typically used for a maximum sample length for potash in order to assure samples are not diluted and confidence in mineralogy is maintained over the interval. Sample intervals for the unknown (pre-1987) drilling programme used a much larger sampling interval (up to 2.44 m) for Nogueras, Vistana, and Javier-3.</li> <li>• In the modern program, cuttings were collected from the open holes and the core was logged, photographed, sampled, and analysed in approximately 0.3 m lengths.</li> <li>• In both drilling campaigns 100% of the relevant intersections were lithologically logged.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li>• <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> <li>• <i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i></li> <li>• <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li>• <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li>• <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></li> <li>• <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	<ul style="list-style-type: none"> <li>• For the historical holes, grooved samples were taken for analysis through the potash mineralisation. These samples were produced by sawing a shallow channel into the core surfaces. This is not usually considered good practice, but is sometimes used to keep the core intact. Independent technical advisor North Rim (Stirrett and Mayes, 2013) reanalysed available holes to test the validity of the historic data, as discussed below in “Quality of assay data and laboratory tests.”</li> <li>• In the 2013–2019 drilling campaign, cored samples were halved and quartered, with a quarter sent for analysis. This sampling methodology is the modern industry standard. The sample intervals of approximately 0.3 m in length were taken over the length of the mineralised interval. Cores were usually PQ (85 millimetres [mm]), but in the case of difficult drilling conditions, coring was reduced to HQ (63.5 mm).</li> <li>• This smaller core diameter is not ideal for sample analysis as some duplicates have shown variability. To try to mitigate this, duplicates are selected from HQ as true duplicates rather than on a quarter core sample. Quarter sample duplicates are selected for PQ core. In all cases, hole size was reduced to continue drilling in difficult drilling conditions (lost circulation) and is not part of normal procedure.</li> </ul>
<b>Quality of assay data and laboratory tests</b>	<ul style="list-style-type: none"> <li>• <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li>• <i>For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></li> <li>• <i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Geochemical results are available for the 1989–1990 drilling campaign, complete with 360 samples in Muga. The results were obtained through the internal Potasas de Subiza S.A. (POSUSA) lab and were analysed for KCl, MgCl<sub>2</sub>, NaCl, insolubles, and clay. The intervals listed for these samples reflect the thickness of the sample as measured in the drill core; however, true thicknesses for the sample intervals is outlined in the historical strip logs to account for structural dip of the intervals. Samples were typically limited to 30 cm or less to maintain good sample resolution.</li> <li>• No original sample analyses are available for the pre-1987 drilling program. Results for Javier-3, Vistana and Noguerras are summarised from the E.N. Adaro comprehensive reports (E.N. Adaro 1989–1991). These drillholes were only analysed for KCl, and therefore lack results pertaining to MgCl<sub>2</sub> (to determine carnallite content) or insolubles.</li> <li>• The “grooving” technique on the historical sampling was used to minimise destruction of core and may not be representative. The method of geochemical analyses used for both the 1989–1990 drilling campaign and the pre-1987 drilling programme is unknown as is the identity of the laboratory that conducted the geochemical analyses.</li> </ul>

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> <li>• A resampling programme for Javier-Pintanos was carried out by North Rim (Stirrett and Mayes, 2013). Re-sampling on Vistana, Noguerras, and Javier-3 was carried out at the Litoteca de Sondeos in Spain, the state-run core laboratory. North Rim attempted to duplicate the historical sample intervals; their methodology is described below.</li> <li>• For the re-sampling of historical core samples, the start and end of each sample was identified using blue corrugated plastic to ensure the proper intervals were selected for slabbing. For each sample, a line was drawn across the top after the core was fit together. Once the sample intervals were determined, one-quarter of the core was cut for sampling. A hand-held circular saw with a diamond-tipped blade was used to cut the core. Once the entire interval was cut, the cut surface was wiped down with a damp cloth to remove any rock powder generated by cutting. The quarter core was divided into individual samples by drawing straight lines across the core diameter in permanent black marker as identified by the blue plastic markers. The determination of individual samples was based entirely on the historical sample intervals. No additional sampling was completed. As the samples were chosen, they were labelled using a numbering scheme that incorporated both the drillhole number and a sample number (e.g., J3-583RS). "RS" was incorporated at the end of the sample to indicate "re-sample." Each sample and its corresponding sample tag were placed into a waterproof, plastic sample bag and stapled to enclose the sample within the bag. Samples were placed into sturdy cardboard boxes and packed with styrofoam. Shipping sheets were completed that included well information, box numbers, sample numbers, and contact information and accompanied the samples to the Saskatchewan Research Council (SRC) Laboratories in Saskatoon, Saskatchewan, Canada. In the re-sampling program, the correlation plot between the historical samples and their re-analysed equivalents has an average difference of 3.68% K<sub>2</sub>O overall. The results indicate a general over-estimation of grade within the historical samples, with 87% of the historical samples having higher K<sub>2</sub>O grade than the re-sampled analyses indicate. This is not a systematic difference, but instead indicates that the variation is more likely due to sampling technique rather than a problematic analytical technique or procedure.</li> <li>• In the 2013–2019 sampling program, chemical analysis was by ICP-OES and XRF.</li> <li>• Highfield and ALS, the primary contract laboratory, maintained quality control procedures of standards, duplicates and blanks. Internal SRM, blanks and duplicates were inserted by Highfield personnel during sample preparation.</li> <li>• ALS inserted commercial standards BCR-113 and BCR-114 both potash fertilizer materials, a MOP (muriate of potash) and SOP (sulfate of potash), respectively, as well</li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>as their own internal standard as a blank material SY-4, a diorite gneiss.</p> <ul style="list-style-type: none"> <li>• Duplicates were submitted to ALS and show good internal agreement.</li> <li>• Highfield made multiple Standard Reference Material-type (SRM) samples representing low-, medium-, and high-grade (LG, MG, HG) potash material, and they show good accuracy and precision within a +2 standard deviation envelope based on 30, 31 and 27 for HG, LG and MG, respectively. The insertion rate is one blank per 50 samples or batch; one SRM and one lab duplicate per 20 samples or batch.</li> <li>• Check samples were tested at SRC and show good agreement for K<sub>2</sub>O values.</li> </ul>
<p><b>Verification of sampling and assaying</b></p>	<ul style="list-style-type: none"> <li>• <i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li>• <i>The use of twinned holes.</i></li> <li>• <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li>• <i>Discuss any adjustment to assay data.</i></li> </ul>	<ul style="list-style-type: none"> <li>• The re-sampling programme of historical cores was carried out under the supervision of North Rim and documented in a report to Highfield. The aim of the geochemical re-sampling programme was to acquire sufficient confidence in the historical chemical analyses data to develop a Mineral Resource estimate, to be reported in accordance with the JORC Code. Only three drillholes with cored intervals containing potash mineralisation were available for re-sampling within the project area: Vistana, Nogueras, and Javier-3.</li> <li>• The available historical geophysical logs (run by Schlumberger) were compared estimated K<sub>2</sub>O from natural gamma and/or spectral gamma logs versus the assayed value, which showed very good agreement.</li> <li>• ALS analysed samples both by ICP and XRF. In general, ICP analysis shows reasonable agreement with results produced by XRF, which report, consistently, slightly higher values of K<sub>2</sub>O. Other holes showed similar bias, thereby substantiating testing precision. The ICP method is the base method used for grade analysis.</li> <li>• Highfield receives all chemical analyses in .XLS or .CSV format from the laboratories and one person is responsible for transferring those data into a master database and maintaining the QA/QC monitoring. The results of the QA/QC samples are reviewed by Geoalcali and outliers are identified and sent for reanalysis.</li> <li>• A database was built from the historical drillhole information by Highfield and checked against the historical reporting of chemical analyses and intervals listed on the lithologic logs.</li> <li>• The master database was checked against the ALS-issued Certificates of Analysis.</li> </ul>



Criteria	JORC Code explanation	Commentary
<b>Location of data points</b>	<ul style="list-style-type: none"> <li>• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>• Specification of the grid system used.</li> <li>• Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>• Historical collar locations were re-located in most cases and re-surveyed. Some historical collars could not be located as many were drilled on agricultural land. Historical drill hole location maps consistently show locations and so suggest confidence in the hole coordinates. Historical data and maps are referenced to the European Datum 50 (ED50) and have been updated to the European Terrestrial Reference System 1989 (ETRS89) datum for compatibility with modern survey information.</li> <li>• All new locations from the 2013–2019 drilling programme are surveyed before and after drilling by a licensed surveyor.</li> </ul>
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>• Data spacing for reporting of Exploration Results.</li> <li>• Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>• Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>• Exploration drillhole spacing varies between 300-1000 m. 2013-2014 drilling campaigns were designed to fall on the historical seismic line traces. This was followed by infill drilling to refine the interpretation from previous campaigns. Then current drilling density is 1.66 DDH/km<sup>2</sup></li> <li>• Samples have been composited over the thickness of identified potash beds for the reporting of exploration results.</li> <li>• The drillhole spacing and distribution are deemed adequate to establish geologic and grade continuity commensurate with the Mineral Resource classification applied, as discussed under “Section – Mineral Resources” in this table. Geologic restrictions, allowances for unknown geologic anomalies, and downgrades of classification were applied to reasonably characterize geologic confidence.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>• If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>• Historical holes were assumed to be vertical in the absence of deviation surveys. Deviation data show relatively vertical trajectories in surveyed holes. Data on bed orientation were incorporated into the database to calculate apparent true thickness.</li> <li>• The deposit is bedded, and historical seismic maps showed evaporite unit propagating to the west at increasing depths.</li> <li>• The northern Loiti Fault System and the south Magdalena System delimitate the ore deposit, which shows a bearing perpendicular to these structures.</li> <li>• The drilling was orientated vertically as this was expected to be perpendicular to the true thickness of the potash units which are gently dipping, and sub-horizontal.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Sample security</b>	<ul style="list-style-type: none"> <li><i>The measures taken to ensure sample security.</i></li> </ul>	<ul style="list-style-type: none"> <li>In the 2013–2019 drilling program, Highfield personnel maintained effective chain of custody procedures for the samples. Core was picked up at the drill site and brought to the secured warehouse for detailed logging and sampling. Following sampling (see sections on sampling herein), sample bags and boxes were secured with zip ties for shipping to the laboratory.</li> <li>There is no detail available on the procedures used to ensure sample security for the historical samples.</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li><i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul>	<ul style="list-style-type: none"> <li>Besides the re-sampling programme carried out by North Rim, CPs compared historical chemical analyses data to estimate K<sub>2</sub>O from geophysical records. In addition, ALS assayed samples both by ICP and XRF and these values were compared as discussed in “Verification of sampling and assaying data.”</li> </ul>

## Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>Muga – Vipasca property comprises six permits: Goyo (ref. 25780) and Vipasca (ref. 35900) are granted Investigation Permits (PI) in Navarra. Fronterizo (ref. Z-3502/N-2585) straddles the Navarra and Aragón border and its PI was granted 05 February 2014. Muga (ref. 3500) is a granted Investigation Permits (PI) in Aragón. Goyo Sur (ref. 35920) and Muga Sur (ref. 3524) were granted on 13 December 2019 and on 30 June 2020 respectively. All permits are held 100% by Geocalci S.L, a wholly owned Spanish subsidiary of Highfield Resources.</li> <li>Property descriptions and land status were obtained from the list of lands as set forth in the documents provided by Highfield.</li> <li>The Competent Persons have reviewed the mineral tenure from documents provided by Highfield including permitting requirements, but have not independently verified the permitting status, legal status, ownership of the project area, underlying property agreements or permits.</li> <li>Exploration and exploitation of mineral deposits and other geological entities in Spain are governed by the Mining Law 22/1973, which is further governed by the Royal Decree 2857/1978. All sub-surface geological structures, rocks, and minerals are considered the property of the public domain and are categorised into four sections under the Spanish law (A, B, C, and D), and must have mining authority authorisation and supervision for commercial exploitation. Section C covers the minerals of interest for Highfield, and a mining concession would need to be awarded prior to exploitation which requires the accompaniment of environmental permits and municipal licenses (electrical, water etc.). Generally, exploration and investigation permits are applied for prior to applying for a mining concession (not legal obligation), and are aimed at determining the potential of the area through exploration practices (drilling, seismic, sampling etc.). These are granted through the region's government/mining authority where the exploration or investigative work will take place.</li> <li>Exploration permits (PE) are valid for one year and can be renewed for one additional year. A PE allows only non-intrusive investigation, which is defined by the various Spanish regions and can vary.</li> <li>A PI is good for up to three years and renewable in three-year terms or longer depending on the scope of the intended work. Investigation permits carry with them municipal approval as they are publicly released for community discussion. To carry out work under the investigation permit, the permittee must contract with the individual the landowners to allow</li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>for access and occupation of the land during the exploration.</p> <ul style="list-style-type: none"> <li>In order for both types of permits to remain valid, the applicable taxes must be paid and the permittee must comply with the applicable regulations and exploration plan approved by the mining authority. Investigation permits require assessment reporting which requires the permittee to submit working plans, budgets, and initiate work within certain time allotments. Exploration and investigation permits can be transferred in whole or in part to other third parties with enough technical and financial backing but must be authorised by the proper mining authorities in Spain.</li> </ul>
<p><b>Exploration done by other parties</b></p>	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>The historical drilling programme completed in 1989–1990 was outlined in detail by E.N. Adaro (1989–1991). E.N. Adaro, the state-owned group tasked with exploration and development of Spain’s Mineral Resources, produced detailed reports and “reserve” studies of the Javier-Pintanos area.</li> <li>Potash was first discovered in the Ebro Basin in the Catalonia area in 1912 at Suria after the potash discoveries in Germany (Moore 2012). Salt was first discovered through drilling, later followed by four economic potash mining zones with a combined total thickness of 2.0 to 8.0 m (Stirrett and Mayes 2013). The potash horizons in the area were identified to cover approximately 160 km<sup>2</sup> at depths of approximately 500 m sub-surface, unless they were brought closer to surface by anticlinal or tectonic structures (Stirrett and Mayes 2013). Several deposits were located in the Catalonia area, including, Cardona, Suria, Fodina, Balsareny, Sallent, and Manresa. Several of these areas were developed into mines and are all flanked by anticlinal structures. The potash deposits in the Navarra region were not located until later, in 1927, through comparative studies to the deposits found at Catalonia (Stirrett and Mayes 2013).</li> </ul>
		<ul style="list-style-type: none"> <li>Production at Pamplona began in 1963 with a capacity of 250,000 tonnes per annum (tpa) of K<sub>2</sub>O. A thick carnallite member overlies the sylvinite, so in 1970 a refinery with the capacity for 300,000 tpa was built to accommodate for carnallite from the Esparza (Stirrett and Mayes 2013). Carnallite mining was ceased in 1977. Inclined ramps for the mine were located near Esparza, reaching the centre of the mine, with further shafts located at Beriain, Guendulain and Undiano. In 1982, 2.2 million tonnes of sylvinite were extracted with an average K<sub>2</sub>O grade of 11.7% (Stirrett and Mayes 2013). The operations in Navarra were closed in the late 1990s.</li> </ul>



Criteria	JORC Code explanation	Commentary
<b>Geology</b>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The Upper Eocene potash deposits occur in the sub-basins of Navarra and Aragón provinces within the larger Ebro Basin. The Navarrese sub-basin includes the Muga-Vipasca (Javier) and adjoining Los Pintanos deposits. The first deposits in the region, occurring at the end of the Cretaceous period, were characterised by a regressive period with reddish continental deposits. The Eocene is marked by the beginning of tectonic compression, causing formation of subsiding basins parallel to the Pyrenees Mountains with emersion and erosion in some parts. The different basins are separated by orogenic events developing in the north and south as turbidite basin carbonate platforms. Towards the end of the Eocene epoch, the sedimentation axis migrated south to the Jaca-Pamplona Basin, on which the Oligocene materials were deposited. The pre-evaporitic basin sedimentation occurs in a context of continuous tectonic compression during the Eocene and Oligocene epochs, as synsedimentary tectonics of the end of the orogeny, with pronounced sediment influx. The influence of the turbidites towards the end of the Eocene epoch in the Bartoniense series, are sourced from the east initially into the Pintano Basin and contained by the Flexura de Ruesta and then from the northwest into the Basin as the Belsue Formation.</li> <li>This potash deposit contains a 100 m-thick Upper Eocene succession of alternating claystone and evaporites (anhydrite, halite, sylvite and carnallite). The evaporites accumulated in the elongated basin at the southern foreland of the Pyrenean range (Busson and Schreiber 1997). The evaporites overlie marine deposits and conclude in a transitional marine to non-marine environment with terrigenous influence. Open marine conditions existed in the Eocene-Oligocene epochs, progressing to a more restricted environment dominated by evaporation and the deposition of marl, gypsum, halite, and potassium minerals. Later, tectonism and resulting salt deformations formed broad anticlines, synclines and overturned beds. The Basin depocentre originated in the west, forming against the down-dropping Javier-Undues Syncline. In this area, the salts are thick and additional lower, less continuous beds developed in addition to a substantial thickness of PB, the uppermost potash mineralised bed. To the east, a broad basement high formed resulted in poorly developed or missing lower salt beds; the potash package is more compact and some beds are missing, particularly near the Basin edges. Basin edge influences include sediment influx, dark clays and light-coloured sand as well as soft sediment deformation and salt-veining which resulted from continued uplift and steepening beds. Basement-related faulting as well as structural influences at the Basin edge have resulted in repeated (or overturned) and thickened mineralised beds. <ul style="list-style-type: none"> <li>Two fault systems dominate and bound the sub-basin, to the north by the extension of the thrusting Loiti Fault and to the south by the Magdalena Fault. The Basin axis is</li> </ul> </li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>defined by the Javier-Undues Syncline. To the east, the Basin climbs to the Flexura de Ruesta, a northwest-southeast offset block contemporaneous with evaporite deformation that resulted in a higher saddle area between the Muga and Pintano sub-basins. Approximately vertical faults parallel to the west of the Flexura de Ruesta have been defined by two-dimensional (2D) seismic surveys (Empresa Nacional Adaro Investigaciones Mineras [E.N. Adaro] 1988–1991). Basin continuity to the west-northwest has not been roughly defined by seismic surveys.</p> <p>A 2D high-resolution seismic survey was run for POSUSA in August–October 1988, by CGG over most of what is now the project area. This consisted of 9 lines totalling 55 km (Geoalcali 2012). The resulting structure maps for both the top (techo) and bottom (muro) of salt were developed by CGG in combination with the regional seismic, field map, satellite imagery, and drill hole data; however, this information seemed to be unreliable while progressing in drilling campaigns as the density markers were not confirmed by the lithologies in the drillholes. The potash-bearing zones lack any velocity/density contrasts within the salt; it is not possible to detect potash or map the structure of the zone directly. Coverage of the seismic interpretation does not extend to the northwest part of the basin.</p> <ul style="list-style-type: none"> <li>• Potash is used to describe any number of potassium salts. By and large, the predominant economic potash is sylvite: a KCl usually found mixed with salt to form the rock sylvinitite which may have a K<sub>2</sub>O content of up to 63% in its purest form. Carnallite, a potassium magnesium chloride (KCl•MgCl<sub>2</sub>•6H<sub>2</sub>O), is also abundant, but has K<sub>2</sub>O content only as high as 17%. “Carnallite” is used to refer to the mineral and the rock interchangeably, although “carnallitite” is the more correct terminology for the carnallite and halite mixture. Besides being a source of lower grade potassium, carnallite involves a more complex production path, so it is less economically attractive. The depositional environment is that of a restricted marine basin, influenced by eustasy, sea floor subsidence, and/or uplift and sediment input. It is suggested that the basin is a combination of reflux and drawdown. Reflux represents a basin isolated from open marine conditions thereby restricting inflow, increasing density, and increasing salinity. Drawdown is simple evaporation in an isolated basin resulting in brine concentration and precipitation. This is the classic “bulls-eye” model (Garrett 1996). In this case, the basin is further influenced by erosion at the basin edges due to contemporaneous and post-depositional uplift, resulting in localised shallowing and sediment influx (Ortiz and Cabo, 1981). In that classic model, a basin that is cut off from open marine conditions will experience drawdown by evaporation in an arid to semi-arid environment. In the absence of sediment influx, precipitation will proceed from limestone to dolomite to gypsum and anhydrite to halite. Depending on the composition and influences</li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>of the brine at that time, the remaining potassium, magnesium, sulfates, and chlorides will progress from potassium and magnesium sulfates to sylvite and then carnallite. The formation of sylvite and carnallite are proposed herein as secondary and primary, respectively.</p> <ul style="list-style-type: none"><li data-bbox="1137 373 2067 767">• In the Muga – Vipasca Project area, the mineralogy is dominated by sylvinite and some carnallite appearing as medium red-orange and white, largely coarse crystals in bands and in heavily brecciated beds with high insoluble material, largely fine-grained clays, anhydrite and marl. The upper potash beds transition to finely banded light brown marls and clays. The salts just below the upper potash tend to be dark grey to black. In some lower beds, halite becomes brownish, sandy to coarsely granular sand and sandstone as sediment influx from the basin edges. In portions of the halite beds, sediment influx from the basin edges is seen as sandy to coarsely granular sands and sandstones. The lower salt is banded, exhibits very large cubic crystals and, in some cases, high angles and folding indicative of recrystallisation and structural deformation. The literature denotes this salt as the “sal vieja” or “old salt” (Ortiz and Cabo 1981). The evaporite beds and bands, in general, are separated by fine to very coarse crystallised and recrystallised salts, generally grey, sometimes light to medium honey brown or white, with anhydrite blebs, nodules and clasts.</li></ul>

Criteria	JORC Code explanation	Commentary
<b><i>Drill hole information</i></b>	<ul style="list-style-type: none"><li>● A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:<ul style="list-style-type: none"><li>○ easting and northing of the drill hole collar</li><li>○ elevation or RL (Reduced Level— elevation above sea level in metres) of the drill hole collar</li><li>○ dip and azimuth of the hole</li><li>○ down hole length and interception depth</li><li>○ hole length.</li></ul></li><li>● If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li></ul>	<ul style="list-style-type: none"><li>● Not applicable.</li></ul>



Criteria	JORC Code explanation	Commentary
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cutoff grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>These relationships are particularly important in the reporting of Exploration Results.</li> <li>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</li> </ul>	<ul style="list-style-type: none"> <li>Figures illustrating the Geology, Drilling and relevant mineralisation relating to the Muga-Vipasca and Pintano properties and the current footprint of the declared Mineral Resources are contained within the 2018 Technical Report.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	<ul style="list-style-type: none"> <li>Updated analysis results are presented in previous Highfield ASX releases.</li> </ul>
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples—size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	<ul style="list-style-type: none"> <li>A 2D high-resolution seismic survey was run for POSUSA in August–October 1988, by CGG over most of what is now the project area. This consisted of 9 lines totalling 55 km (Geocali, 2012). An additional 2D seismic was run at a later date (unknown) increasing the total available seismic to 16 lines, totalling 87.3 km (RPS 2013).</li> <li>RPS of Calgary, Alberta, Canada, completed a re-interpretation of the 2D historical seismic lines and profiles on behalf of Highfield. The re-interpretation programme was designed to review the overall accuracy of the historical data in terms of good correlation to drillhole data and geological intersections, as well as identify any sub-surface structures that may adversely affect the salt-bearing strata within the project area. A total of 16 lines were reviewed and were tied to wells with historical wireline data from the 2D seismic RPS. The paper copies of the seismic were digitized as the original tapes were unavailable.</li> <li>RPS interpreted that there is no indication of widespread salt removal due to faulting or dissolution. Deep structural features are noted across the project area, and only poor quality seismic data exist over these features. A large-scale structural high is present between Muga and Los Pintanos areas, separating them geologically.</li> <li>The CPs initially used these structural data, but the historical map is modified and corrected to reflect updated drill hole information.</li> </ul>
<b>Further work</b>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>The Muga - Vipaca geotechnical/hydrogeological drilling programme focused in the declines is still in progress; however, no further exploration drilling is expected in the area, until the underground development.</li> </ul>

### Section 3 Estimation and Reporting of Mineral Resources

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

Criteria	JORC Code explanation	Commentary
<b>Database integrity</b>	<ul style="list-style-type: none"> <li>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</li> <li>Data validation procedures used.</li> </ul>	<ul style="list-style-type: none"> <li>Composite values and hole depths/coordinates in the Strat3D geologic block model were visually compared (on screen) with values in the database values for accuracy.</li> <li>Block model grade and thickness results were compared with the drill hole database to ensure a realistic representation of the composites in the vicinity of drill holes.</li> <li>In modern holes, duplicate and check analysis samples were prepared for select intervals in each potash cycle. Duplicate cores were quartered and sent to ALS for analysis. ALS incorporated blank, repeat, and potash standard samples in the testing protocol. Check samples were sent to a second qualified laboratory (SRC, Canada) to verify results. ALS maintains its own internal procedure and chain of custody to high industry standards. There was good agreement in the duplicates.</li> <li>Both ALS and SRC are laboratories of international repute for the analysis of potash. They maintain their own QC program. QC measures, and data verification procedures applied, include the preparation and analysis of standards, duplicates, and blanks.</li> <li>Check samples were sent either to ALS and SRC and also showed good agreement.</li> </ul>
<b>Site visits</b>	<ul style="list-style-type: none"> <li>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>The previous Competent Persons from Agapito Associates visited the ALS Laboratory Group analysis sample preparation facility in Seville, Spain on 30 August 2013.</li> <li>The visits were conducted for the purposes of exploration planning, data collection, site observation, core inspection, drill rig inspection, chemical laboratory inspection, and QA/QC confirmation.</li> <li>Ms Anna Fardell, a Member of the Australian Institute of Geoscientists (6555) and an employee of SRK Consulting (UK) Limited is the Competent Person for the updated Mineral Resource Statement. Ms Fardell visited the Muga Project in July 2017 and visited a number of drillhole collars and observed the drilling procedures used at Vipasca P.I., and the core storage and sampling procedures in the core yard.</li> <li>No changes were implemented after the July 2017 visit as all procedures were found to be followed diligently and to high industry standards.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Geological interpretation</b>	<ul style="list-style-type: none"> <li>• Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</li> <li>• Nature of the data used and of any assumptions made.</li> <li>• The effect, if any, of alternative interpretations on Mineral Resource estimation.</li> <li>• The use of geology in guiding and controlling Mineral Resource estimation.</li> <li>• The factors affecting continuity both of grade and geology.</li> </ul>	<ul style="list-style-type: none"> <li>• To the southeast and east, the model is bound by a structural limit called Ruesta fault.</li> <li>• To the south, the deposit is bound by the plunging La Magdalena anticline, which is delimited by a fault in its southern limb. The current Mineral Resource is limited by the northern limb of Magdalena anticline and does not extend towards this discontinuity, as no drilling has proved the extension.</li> <li>• While the stratigraphy in the Vipasca Licence area dips to the southwest and is conformable with that in the Muga Licence area, the geology is more complex than the Muga Licence area and the grade and thickness of the potash seams are lower. Despite these differences, however, the potash seams can be correlated with confidence within and between these areas and there is sufficient data quantity and quality to enable the Mineral Resource to be extended into the Vipasca Licence area as intended. The estimated Mineral Resources remain open at depth to the west inside the Vipasca permit area.</li> <li>• The extent of the Mineral Resource is between 180 m and 1400 m below surface and it is contained entirely within the Investigation and Mining Permits held by the Company</li> <li>• Grade parameters were composited as length-weighted averages of the individual analyses over a continuous bed thickness. In most instances, top and bottom bed contacts are gradational, introducing some trade-off between grade and thickness. Contacts were selected to maximize thickness while maintaining a composite grade as close as possible to 12.0% K<sub>2</sub>O with a true thickness equal to greater than 1.5 m. Depending upon the vertical grade distribution, bed thicknesses less than 1.5 m and composite grades less than 8.0% K<sub>2</sub>O were required in some instances to create a robust geologic model.</li> <li>• Structural dips were calculated from the base-of-salt surface constructed from seismic, outcrop, and drill hole data. Dips in individual beds were adjusted locally by stacking the variable-thickness interburden and potash beds above the base- of-salt surface.</li> <li>• Drillhole and seismic indicate generally predictable bed continuity across the property, nonetheless variation in potash thickness, grade, and mineralogy between drill holes is present. Faults, folds, and other structural disturbances can limit mineralisation locally. Potash quality can be affected by varying depositional environments or structure, including depositional highs, syngenetic faulting, basement carbonate mounds, algal reefs, post-depositional gypsum dewatering, groundwater dissolution along fault conduits, and by other complex features.</li> <li>• At this stage of the exploration programme, Mineral Resources are classified as Measured, Indicated, and Inferred only.</li> </ul>



**Dimensions**

- The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.
- The mineralisation occurs in potash beds P0, PA, PB, P1, P2, and P4 at least over an area spanning approximately 32 km<sup>2</sup>. Potash bed P3 also appears in the basin, but it does not have economic interest.
- The mineralisation ranges in depth between 200 m and 1,200 m below surface. P0 ranges from 0.6 to 7.8 m in thickness, the grade varies between 0.7-16.1% K<sub>2</sub>O; the MgO content ranges between 0.09-19.8% and the insoluble content between 10.59-25.21%. PA ranges from 0.78 to 6.3 m in thickness, the grade varies between 0.84-18.27% K<sub>2</sub>O; the MgO

Criteria	JORC Code explanation	Commentary
		<p>content ranges between 0.05-6.11% and the insoluble content between 7.12-28.91%. PB ranges from 0.77 to 12.9 m in thickness, the grade varies between 0.32-18.28% K<sub>2</sub>O; the MgO content ranges between 0.08-2.34% and the clay content between 7.68-27.25%. P1 ranges from 0.83 to 10.5 m in thickness, the grade varies between 5.42-15.26% K<sub>2</sub>O; the MgO content ranges between 0.07-0.21% and the insoluble content between 7.67-15.85%. P2 ranges from 1.8 to 8.1 m in thickness, the grade varies between 10.7-15.63% K<sub>2</sub>O; the MgO content ranges between 0.19-0.21% and the insoluble content between 7.17-13.06%. P4 intersected in J13-09, has an average thickness of 3.3 m, an average grade of 13.71% K<sub>2</sub>O, an average MgO content of 0.19 and insoluble content of 8.85%.</p> <ul style="list-style-type: none"> <li>Secondary grade constituents (MgO, insoluble and halite) were modelled with the block model and show a degree of variability similar to K<sub>2</sub>O grade.</li> </ul>
<p><b>Estimation and modelling techniques</b></p>	<ul style="list-style-type: none"> <li>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</li> <li>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</li> <li>The assumptions made regarding recovery of by-products.</li> <li>Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</li> <li>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</li> <li>Any assumptions behind modelling of selective mining units.</li> <li>Any assumptions about correlation between variables.</li> <li>Description of how the geological interpretation was</li> </ul>	<ul style="list-style-type: none"> <li>The grade and tonnage estimates was quantitatively estimated using a computer 3D gridded-seam geologic (block) model constructed with Strat3D v 2.2.82.0 software.</li> <li>Data utilized in the model include historic and modern drillhole logs and chemical analyses, historic and modern interpretations of 2D seismic surveys, surface topography in the form of a digital elevation model (DEM), permit boundary lines and historic resource analysis.</li> <li>Grade parameters used in the block model were composited as length-weighted averages of the individual analyses over a continuous bed thickness.</li> <li>No drillholes or drillhole data were excluded from the model within the basin limiting structures. No sample or composite outliers were identified, and none were excluded, cut, or capped in the model.</li> <li>Bed thicknesses were corrected to true thicknesses for modelling according to local dip and downhole deviation survey data. Historic holes lacking deviation surveys were assumed vertical.</li> <li>The potash beds of interest were gridded into single layers of 25 m<sup>2</sup> blocks of variable vertical thickness representing the local thickness of the respective potash bed. For grade estimation, the block size was increased to 250 m<sup>2</sup> blocks.</li> <li>Block true thicknesses was interpolated into 25m blocks by inverse distance cubed. An exponent of 3.0, instead of a lower value such as 2.0, was selected to enhance local variability in the model consistent with the variability evident in the drill holes.</li> <li>The block thickness estimation was conducted using an anisotropic elliptical search radius with a major axis of 4,000 m oriented at an azimuth of 120°, parallel to the axis of the basin</li> </ul>

Criteria	JORC Code explanation	Commentary
	<p>used to control the resource estimates.</p> <ul style="list-style-type: none"> <li>Discussion of basis for using or not using grade cutting or capping.</li> <li>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</li> </ul>	<p>and a minor axis of 2,000 m perpendicular to the major axis.</p> <ul style="list-style-type: none"> <li>A maximum of 20 and minimum of 1 drillhole composites within the search ellipse was used for estimation. The anisotropic model was used as it reflects the axis of the Muga - Vipasca basin and the relative geological continuity observed in the drillholes.</li> <li>Grade estimation was conducted by Ordinary Kriging for the main and the secondary parameters. The maximum variogram range for K<sub>2</sub>O and MgO is 2,500 m for Na<sub>2</sub>O is 1,200 m and for insoluble is 1,000 m.</li> </ul>
<b>Moisture</b>	<ul style="list-style-type: none"> <li>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</li> </ul>	<ul style="list-style-type: none"> <li>Tonnages are estimated using variable bulk density of 2.12 g/cm<sup>3</sup> based on bulk density measurements from core samples; in the case of PA, the seam with higher MgO content, a regression was applied to calculate the density as there was a strong relationship between density and MgO content in this seam. There is negligible water within the mineral structure in the potash which has no impact on the density.</li> <li>The mineralisation is dominated by evaporites rich in K<sub>2</sub>O.</li> <li>Sylvinite is a mechanical mixture of halite (NaCl) and sylvite (KCl) typically with inclusions of insolubles (typically clays) and limited carnallite (KCl·MgCl<sub>2</sub>·6H<sub>2</sub>O).</li> </ul>
<b>Cutoff parameters</b>	<ul style="list-style-type: none"> <li>The basis of the adopted cutoff grade(s) or quality parameters applied.</li> </ul>	<ul style="list-style-type: none"> <li>The Company has sourced technical and economic parameters from the recent mining study. The assumed parameters include processing recovery, mining and processing costs per tonne run of mine, and G&amp;A, logistics to port and freight costs per tonne MOP. A commodity price of USD 313/t MOP has been assumed, and mineral royalties have been considered. A cut-off grade has been calculated using these assumptions and rounded up to 8%.</li> <li>SRK has verified the input parameters and the cut-off grade calculation, alongside the technical reasoning behind the proposed production scenario. SRK has tested the sensitivity of the COG to operating costs and a contingency. SRK is confident that the Mineral Resource as reported fulfils the requirement that it should have potential for economic extraction.</li> <li>No constraints have been applied for insolubles or carnallite (i.e., magnesium) content as it is expected the material can be blended to reach the appropriate product specification.</li> <li>SRK notes that the assumptions and technical and economic parameters will change as further technical work is undertaken.</li> </ul>

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



Criteria	JORC Code explanation	Commentary
<b>Environmental factors or assumptions</b>	<ul style="list-style-type: none"> <li>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</li> </ul>	<ul style="list-style-type: none"> <li>No environmental factors or other discipline were considered when reporting Mineral Resources or provided by Geocali as part of this study.</li> </ul>
<b>Bulk density</b>	<ul style="list-style-type: none"> <li>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</li> <li>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.</li> <li>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</li> </ul>	<ul style="list-style-type: none"> <li>Density measurements were conducted on pieces of diamond core and cover all the major lithologies at Muga throughout the 2013-2019 drilling campaigns by the ALS Sevilla Laboratory.</li> <li>Tonnages are estimated using variable bulk density of 2.12 g/cm<sup>3</sup> based on bulk density measurements from core samples; in the case of PA, the seam with higher MgO content, a regression was applied to calculate the density as there was a strong relationship between density and MgO content in this seam. There is negligible water within the mineral structure in the potash which has no impact on the density. Measurements were made in July 2017 by the SGS Vostok Ltd. Testing Laboratory.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Classification</b>	<ul style="list-style-type: none"> <li>• The basis for the classification of the Mineral Resources into varying confidence categories.</li> <li>• Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</li> <li>• Whether the result appropriately reflects the Competent Person's view of the deposit.</li> </ul>	<ul style="list-style-type: none"> <li>• Based on the definitions and guidelines presented in the JORC Code, SRK has assigned portions of the Mineral Resource into the Measured, Indicated and Inferred categories.</li> <li>• In determining the appropriate classification criteria, several factors were considered: <ul style="list-style-type: none"> <li>○ JORC Code reporting requirements and guidelines;</li> <li>○ Quality of data used in the estimation;</li> <li>○ Quantity and density of sample data;</li> <li>○ Geological knowledge and understanding, focusing on geological and grade continuity;</li> <li>○ Quality of the geostatistics and interpolated block model; and</li> <li>○ Experience with other deposits of similar style.</li> </ul> </li> <li>• The Mineral Resource classification appropriately reflects the CP's view of the deposit.</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>• The results of any audits or reviews of Mineral Resource estimates.</li> </ul>	<ul style="list-style-type: none"> <li>• The mineral resource estimate was produced by Geoalcali under the supervision of Anna Fardell of SRK Consulting. The final parameters, classification and block model was reviewed according to SRK's internal peer review process, and in draft form by the Company.</li> <li>• No other external reviews have been completed to date.</li> </ul>

Criteria	JORC Code explanation	Commentary
<p><b>Discussion of relative accuracy/confidence</b></p>	<ul style="list-style-type: none"> <li>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</li> <li>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</li> <li>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</li> </ul>	<ul style="list-style-type: none"> <li>The stated Mineral Resource is a combination of Measured, Indicated and Inferred Mineral Resources, generally reflecting the apparent grade continuity as well as geological continuity and sample spacing.</li> <li>There is a high level of confidence in the underlying drillhole data.</li> <li>There is a high level of confidence in the geological continuity of the mineralisation above the cut-off grade of 8% K<sub>2</sub>O.</li> <li>The variography has characterised the spatial correlation between grades and shows grades are correlated sufficiently.</li> <li>There is a good degree of confidence in the accuracy of block estimates, which were validated using several methods to ensure the estimated grade provides a reasonable reflection of the underlying sample data. The block model has been validated on both a global and local scale.</li> <li>New drilling in the Vipsasca Licence area has added new areas to the Mineral Resource.</li> <li>The Mineral Resource tonnage has increased by 14.91 Mt to 282.26 Mt and the grade of the Mineral Resource has decreased from 12.4% K<sub>2</sub>O to 11.8% K<sub>2</sub>O. The reasons for the decrease in grade and additional tonnage are the new drilling in the Vipsasca Licence area has added new areas to the Mineral Resource with lower grade than previously in the Muga Licence area. Besides the new thickness interpolation has decreased the thicknesses of the potash horizons at the edges of the basin, which has decreased the tonnage in the Muga Licence area slightly, and the lower grade intercepts in Vipsasca have influence the grades at the western edge of the Muga Licence which has decreased the block model grades at the western edge of that licence.</li> <li>The updated MRE is not materially different to that produced in 2018. Notwithstanding this the work has improved the geological understanding of this area of the deposit and the confidence in the Mineral Resource as a whole.</li> </ul>

