

A hand holding red fertilizer pellets next to a young green plant in a field. The background is a warm, golden glow from the sun.

Annual Report
31 December
2021

Highfield 
Resources

highfieldresources.com.au

HIGHFIELD RESOURCES LIMITED

ABN 51 153 918 257





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Corporate Directory

Directors

Mr. Richard Crookes

Independent Non-Executive Chairman

Mr. Ignacio Salazar

CEO and Managing Director

Ms. Pauline Carr

Independent Non-Executive Director

Mr. Roger Davey

Independent Non-Executive Director

Mr. Brian Jamieson

Non-Executive Director

Company Secretary

Ms. Katelyn Adams

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Stock Exchange

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

ASX Code HFR



Chairman's Letter



Dear Shareholders,

The past year has been one of steady progress for your Company as we advance towards the construction of the Muga Potash Mine. This has been against a backdrop of an ongoing global pandemic, which has affected all businesses in different ways. For us, it has been principally about aiming to work effectively across a combination of office and remote sites and in dealing with cost control measures, including making severe salary reductions for all staff under a furlough scheme and equivalent reductions in fees for Directors, in the first half of 2021. I'm pleased to say we have emerged from this period strongly, with a leaner workforce and Board, but with morale remaining high.

The major highlight was clearly the award in July 2021 of the long-awaited Mining Concession for Muga, which has allowed us to subsequently advance towards Project Financing and the start of construction in 2022. Along the way we have secured renewed public political support in Navarra and Aragon, have updated the Muga Project Feasibility Study (with outstanding revised economics) and have completed detailed engineering for the Project. A capital raise and Shareholder Purchase Plan was successfully completed in August 2021 to support all these activities.

Events after the year-end in early 2022 have been more significant though. Economic and trade sanctions enacted on Belarus during the year started to restrict the export of MOP from this major producer and exporter, which saw increases in the price of Granular MOP from €230-240/t (cfr Europe) at the start of 2021, to €575-600/t (cfr Europe) by the start of 2022. The recent tragic war in Ukraine and subsequent severe sanctions placed on both Russia and Belarus, have led to circa 40% of global MOP supply no longer reaching its intended customers. As a result, the Granular MOP price has continued to rise to €615-690/t (cfr Europe) by the second week of March 2022. Notwithstanding the disastrous events that have led to this outcome, Highfield is well positioned to benefit, given Muga's independent position outside of the highly concentrated supply regions of Belarus/Russia and Canada, being ideally located for the key markets of Western Europe, Brazil, US, and Africa. In addition, industry advisors Argus estimate circa 40% of potash capacity expansion projects in the decade ahead are in Russia,

which are clearly now at risk. This bodes well for Highfield as the strong bottom line economic benefits of higher pricing will attract stronger support for Muga from financiers, off takers and investors.

On a personal note, you may have seen that I have recently announced my intent to retire from the Board of Directors of the Company, following over eight years of service. It has been an enjoyable, challenging and at times frustrating journey, but I am very confident that I depart with the Company poised for great times ahead. We are fortunate to have an excellent and highly motivated CEO & MD leading the Company, a fantastic workforce in Spain and a very experienced and dedicated Board. It has been a privilege to lead the Board and I would like to thank my fellow Directors and all the employees of Highfield for their efforts and support over the years. I am delighted to hand over the Chair to Paul Harris and I am confident that Paul will do an excellent job and successfully lead the Company through the financing and construction of the Muga Project and onto production.

I hope to remain in contact with Shareholders and I thank you for your loyal support. I wish you all the best in the times ahead and look forward to seeing Highfield develop as a major producer of potash.



Richard Crookes

Chairman

23 March 2022

“I’m pleased to say we have emerged from this period strongly, with a leaner workforce and Board, but with morale remaining high.”

Chief Executive Officer's Letter



Dear Shareholders,

As I am writing these words, we are planning my first trip to Australia as CEO of Highfield which is long overdue given the Covid pandemic. I expect to finally meet many of you in person and I am really looking forward to this trip.

These are both demanding and very exciting times at Highfield. We are building a mine. There is massive intrinsic value in the Muga project, which is just waiting to be unlocked by moving into construction and operation. We are extremely motivated by this perspective and are prepared to do what it takes to achieve it.

Progress during last year got us to this point. The grant of the mining concession on 1 July 2021, which the Company had been actively pursuing for some time, was our most important milestone of the year. I made the very difficult decision to place ourselves on a furlough scheme with a reduction of salaries for five months in the first half of 2021 demonstrating the lengths the Company will go to move this project forward. During the year, we also reorganized our team making it leaner and stronger. The new team is fully committed and ready to face any challenges in front of it.

As a Spanish national, I have been very hands on and directly involved in building relations and engaging with our local stakeholders in Spain. Historically many European mining projects have stumbled in this area, where emphasis has been more about adding levels of bureaucracy rather than encouraging efficiency or defending the public interest. However, I have only words of gratitude for the unprecedented level of support and the reception I have received both in Navarra and Aragón at the highest levels. I am not expecting that everything will always run perfectly, but it is a big comfort to see the level of Government access we have and to know that decision-makers in Spain understand the value of Muga for the community and are committed to support it. Recent events in Russia and Belarus have only increased the awareness of the strategic value of the Muga project for the country and the European Union.

The Company has been successful in achieving a very delicate balance between advancing the project and preserving cash. We recently finalized the contracting of all the key equipment for the process plant,

which will protect the project against some of the inflationary pressures currently seen in the market. In addition, this also allowed us to integrate equipment engineering into the plant design, secure long lead items and support our cost estimates in recent reviews undertaken by banks as part of their financing due diligence. This could not have been done without the equity raise of A\$18 million last year and I would like to thank shareholders for their support of this.

The preparation of the construction is well advanced. During 2021, in addition to preparing the detailed engineering, we had significant engagement with our suppliers and contractors. In conjunction with Acciona, the Company has tendered the major construction aspects of the project in order to formalize a maximum price and a construction agreement. Our emphasis on excellence and discipline is constant and will make the difference in the construction phase.

During the year we updated the reserves statements and the feasibility for the Muga project with more advanced technical information which confirmed the outstanding economics of this project. Muga is a Tier 1 project. The mineralization is shallow, there is great infrastructure already in place in the region, and most importantly, the mine is located in the heart of a European agricultural region with clear deficit in potash supply while our ESG credentials are world class. During last year, we have been through a very detailed and thorough due diligence process for the banks. The feedback from them and our advisor, Endeavour, allowed us to target a debt capacity in the project in the order of €300 million. The quality of the project combined with the current geopolitical situation and strong potash price environment are encouraging as is the discussion and interest from strategic investors, and the market in general.

I want to thank Richard Crookes for his support and guidance as he is retiring from the Board after more than eight years of service and as he remains a friend of the Company. We are welcoming Paul Harris as our new Chairman with a very active agenda for our upcoming visit to Australia at the end of March and early April 2022 and I very much look forward to working with him, the team and fellow directors as we grow Highfield.

We have a great team and a great asset. Together with the trust and support of our shareholders and community we are determined to make Highfield into a successful and sustainable potash producer.



Ignacio Salazar

CEO and Managing Director

23 March 2022

“Our emphasis on excellence and discipline is constant and will make the difference in the construction phase.”



Sustainability Report

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CEO Letter

Dear Readers,

In July 2021 we received the Mining Concession for the Muga Mine. This has been the final stage of a long, comprehensive and rigorous permitting process. At the same time, it is the starting point of an exciting period when we will build the Muga Mine, a world-class potash project.

This Sustainability Report highlights the most relevant activities that are keeping Environmental, Social and Governance (ESG) practices at the core of our business. It also highlights the latest updates which are contributing to develop a more robust, innovative Project, at the forefront of sustainability.

One of the most remarkable aspects of Muga is its positive contribution to the socioeconomic development of the community. This was reconfirmed by the “Observatorio de la Realidad Social”, a social department of the Government of Navarra, when they released on 4 March 2021 the Social Baseline Study of the Muga Mine. The Study indicates that Muga has a significant positive socioeconomic potential for the local region, with the capacity to reverse local depopulation which is severely affecting the local communities whilst contributing to fight unemployment. Muga could significantly boost the economies of the rural communities with new business opportunities. In this sense, we have started our engagement with potential local suppliers through several information sessions in the area around the mine-site. These sessions have been a great success with more than 200 companies, and local providers participating in these sessions. The response to these sessions by the community underlines once again the high degree of acceptance and sentiment of urgency, that all stakeholders share with us to start the construction of Muga as soon as possible.

Environmentally, Muga is a zero residue mine based on circular economy principles in all areas, most importantly waste and water management. Muga is the only room and pillar potash mine in the world that has incorporated this strong commitment of leaving no mineral residues on surface at the end of operations.

We announced a Feasibility Study Update for the Muga Project which incorporated all conditions in the mining concession. This Feasibility Study Update reconfirmed Muga’s strong economics based on long-term price estimates. The updated numbers have a significantly higher degree of confidence following the engineering and procurement work undertaken over the last few months.

In this pandemic era, we have witnessed an increase in the risk associated with political and economic instability, which has raised awareness of the importance of strategic security over raw materials and key minerals. The extractive industry plays a strategic role as a supplier to industry and agriculture of many of the basic raw materials and inputs for modern society. In this context, the European Commission’s European Raw Materials Initiative, sets as a priority





Highfield Resources CEO, Mr. Salazar, said:
“Our priority is to generate sustainable value for shareholders and the community. Our Muga Mine, commencing construction this year, is strategically placed to supply the European market against a backdrop of increasing demand, geopolitical uncertainty and strong fundamentals driving potash prices to near 10-year highs.”

for a well-functioning European Union (EU) economy access to mineral raw materials and their procurement at affordable prices. The EU strategy is based on access to raw materials, sustainable supply chains from EU sources and reduced imports. Geopolitically, the strategic role of potash, especially in Europe, is becoming more apparent with recent developments in Russia and Belarus, world leaders in potash production. In the current environment with increasing global prices, Muga is well located strategically to serve European markets.

Potash is also a strategic commodity in helping combat climate change. The higher crop yields generated by potash reduce the need or deforestation to provide additional arable land. Finally, potash, as a key fertiliser, contributes to food security. The UN has stated that the imbalance between population growth and less arable land is trending towards ‘unprecedented catastrophic levels’. Potash is a key enabler to reverse this trend.

With Muga, we not only have a sustainable project, but one producing a strategic and sustainable commodity. It is a great future ahead for all of us. Let’s construct it together.

Ignacio Salazar
Chief Executive Officer

<https://news.un.org/en/story/2021/10/1102072>

About this Section

This section is a summary of the Company's seventh Sustainability Report and highlights all ESG activities carried out during 2021 by Highfield Resources Limited (the "Company" or "Highfield") and its Spanish subsidiary Geocalci SLU ("Geocalci"), together "the Group".

This report 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 and corruption. Additionally, as a signatory member to the United Nations Global Compact, the Company will publish a standalone report that 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 to 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 significant project with integrated initiatives that contribute to those objectives and, with special emphasis on our social and natural environment.

For further information visit:

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

or contact susana.bieberach@geocalci.com



Why at the Forefront of Sustainability?

Future-facing commodity for a decarbonised world in a scaling food security crisis

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. The world faces many challenges but among them is the alarming increase in the world's population and the reduction of arable land, increased deforestation that is contributing to global warming and the urgent need to apply solutions that optimize land use in the agri-food chain, which is responsible for a third¹ of the World's total GEI emissions.

According to the International Fertilizer Organisation, by increasing productivity on existing arable land, fertilisers help forestall deforestation as well as the loss of other wild lands. This preserves biodiversity and reduces the environmental impact of farming as deforestation, and loss of peatland, wetlands and grasslands combined, represent about 10% of global GHG emissions. Increased yields due to proper nutrient management have helped conserve one billion hectares from conversion to cropping between 1961 and 2005, leading to carbon emission savings of 317 to 350 Gt CO₂-eq, playing a huge part in limiting the negative environmental impacts of our food systems.

Climate change is a critical topic for the world, and it requires new policies and key actions to deliver a temperature reduction of 1.5C. The Required Policy Scenario (RPS) conclusions² determine that countries will establish new policies. Namely in food and land systems with huge shifts in food production targets, land use becoming a net carbon sink within 30 years as the world reaches 'peak meat' consumption in 2030, and Nature Based Solutions accelerate. Fertiliser plays a critical role to optimise the need for more food to be produced in less land.

¹<https://www.fao.org/3/cb7514en/cb7514en.pdf>

²<https://www.vivideconomics.com/casestudy/ipr-2021-forecast-policy-scenario-and-1-5c-required-policy-scenario/>



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

-20%

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

89%

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

CO₂

Soils can store up 50-300 tons of carbon per hectare, which is equivalent to 180-1,100 tons of CO₂. Fertilisers improve soils carbon skins.

Environmental, social and governance leadership

The Board of Directors of Highfield Resources has established high standards for the Company's employees, officers and directors. It is the duty of the Board of Directors to oversee the management of the Company's business and to ensure the Company as a whole follows the ethical standards set out in the Code of Business Conduct and Ethics (the Code).

The Group periodically reviews Company's procedures and policies and suggests changes to ensure high ethical standards are met.

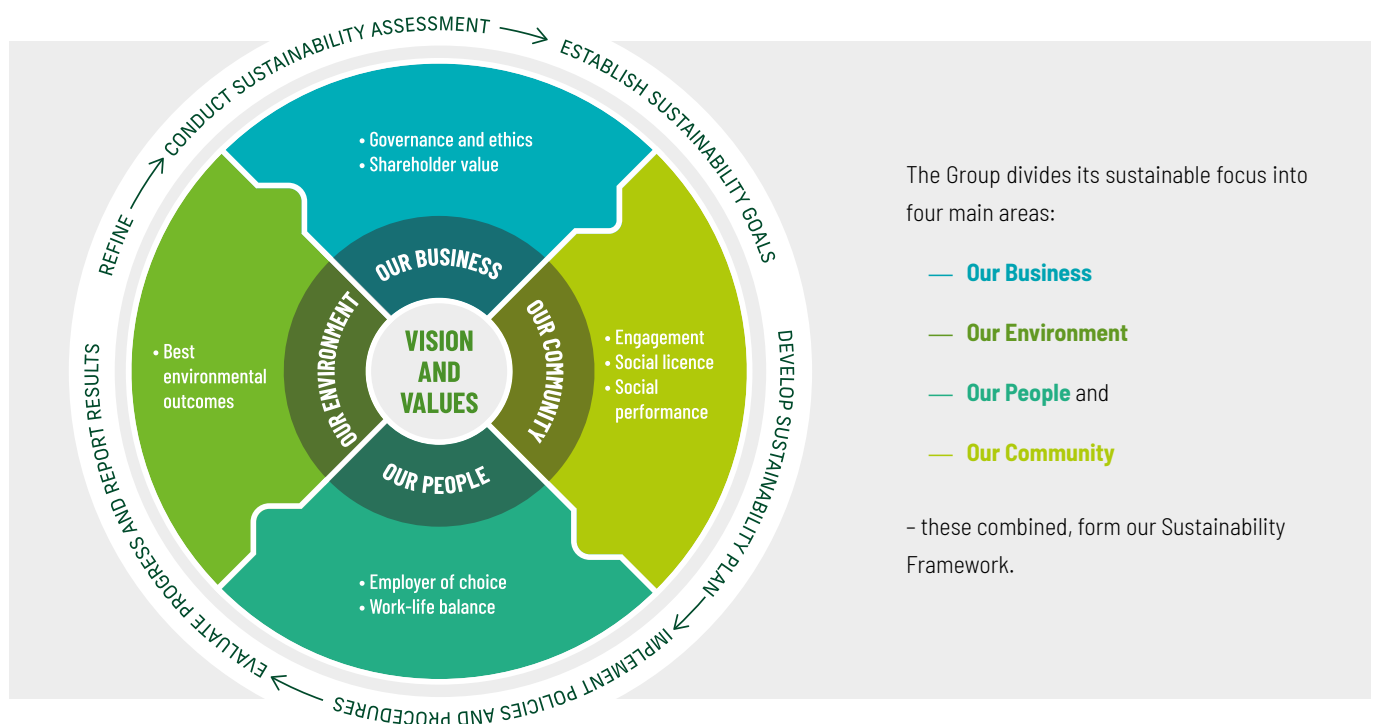
The Group publishes its corporate governance policies, the Code and its Board and committees' charters on Highfields's website at:

<https://www.highfieldresources.com.au/corporate-governance/>.

To understand where its sustainability efforts should be concentrated, the Group undertakes internal and external analysis to identify those issues which have the biggest impact and are most relevant to the business and to stakeholders. The Group has engaged actively with sustainability consultants and its stakeholders to improve its current engagement and to define long-term strategies for sustainable development.

Identifying key topics through relevant engagement methods for each stakeholder group remains a top priority for the Group. This engagement helps define commitments and goals in order to drive the Company's efforts towards minimising negative impacts whilst seeking to maximise the benefits.

These commitments and goals are supported by specific initiatives and plans which are monitored to allow the Company to detect areas for improvement.



Vision and values

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

The vision of the company is encompassed by its core values CREA **Commitment, Respect, Excellence and Attitude**.

Sustainability Roadmap

1

Integrate an ethical management that takes into account 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

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

5

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

4

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

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



Compromiso Respeto Excelencia Actitud

CREA

Commitment Respect Excellence Attitude



 **OBJETIVOS**  **S** DE DESARROLLO SOSTENIBLE

INDISPENSABLES PARA EL DESARROLLO DE INFRAESTRUCTURAS

CONTRA EL HAMBRE

Los minerales no solo nos ayudan a

What we Have Planned and Achieved

Strategic Objective	Specific Goals	Progress	Material Topics	Dimensions
To secure all necessary environmental, construction and operating permits.	Ministerial approval of Mining Concession.	On the 1 July 2021 the Company received the Mining Concessions for the Muga Project. 	1	Our Business
	Approval of all construction and other permits required.	The Company is advancing in all other permitting that is required. 	1	Our Business
To build and to successfully operate the first phase of the Muga Mine (0.5 Mtpa MOP).	Continue improving and refining the Project.	The Company finalised construction arrangements with engineering companies. This includes signed contracts and the development of engineering with process equipment suppliers for incorporation into construction projects. In addition procedures for commissioning and the first phase of plant operation have been developed. 	2 4 5 6 7 8	Our Business Our Environment
To develop the plans and financing for the second phase of the Muga Mine (to 1 Mtpa MOP).	Continue the development of the financing strategy.	Actively worked with Endeavour Financial which has involved coordination of the different areas of the Company to advance the financing strategy. 	4 7 11	Our Business
To build, operate and maintain a high level of workplace health and safety.	Building a strong health and safety culture.	Increasing specific H&S training to prepare for the commencement of construction works. Modifications for mitigation/reduction/elimination of risks implemented in the design. 	2 5	Our People Our Community
	Enhancements of health and safety protocols.	The Company developed a High Consequence Procedures (HCP) for the treatment plant area. This involves the analysis and identification of procedures for higher risk areas and the procedures to be followed for the mitigation/reduction/elimination of risks. 	2 5	Our People Our Community
To conduct our business with regard to all environmental regulations and best practice.	Strive for best environmental outcomes of Muga.	In 2021, improvements were made to the Project, which were described in the Restoration Plan and incorporated into the Mining Concession with the supervision of all the Administrations. 	6 8 9 10	Our Environment Our People
	Enhance environmental consciousness among our staff.	No specific staff awareness initiatives were undertaken during the year. 	6 8 9 10	Our Environment Our People
	Minimise potential environmental impacts.	Optimised environmental aspects have been incorporated into the Project's design. Tendering protocols were updated to include requirements to meet the Project's environmental commitments. 	6 8 9 10	Our Environment Our People
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.	Increase dialogue and interaction with the host communities.	Open and regular dialogue continued. 	3 5 6 7 8 11 12	Our Community

Strategic Objective	Specific Goals	Progress	Material Topics	Dimensions
	Efficient Company involvement in community initiatives.	The Company has continued working with local communities and has received from the Government of Navarra a Social Baseline Study that proposes strategic actions to work with local communities. 	3 5 6 7 8 11 12	Our Community
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.	The Company will continue to work diligently with the Administration in all project phases.	Increased communication with all the Administration. Explicit support received from the President of Navarra. Increased engagement with the Aragon Administration. 	3 5 6 7 8 10 11 12	Our Business Our Environment
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.	Continuing with the development of the financing strategy.	Actively worked with Endeavour Financial which has included the coordination of the different areas of the Company in the due diligence process. Successfully reviewed and updated economic model. The Company has analysed alternative sources of financing. 	2 3 5 6 8 9 13	Our Business
To comply fully with all pertinent legislation.	Improve understanding of, and preparation in respect of applicable legal requirements.	Legal advice sought with a regional and national focus. 	4 5 6 8 9 10	Our People Our Community
To develop plans and studies for the potential implementation of future projects within the Group's current tenement holding.	The Group continues investigating the upside potential of Muga and other tenement areas.	The Group regularly meets to review and enhance drilling plans to maximise upside potential. 	2 3 5 6 8 9	Our Business
To become the employer of choice within our sector and environment.	Uphold high ethical standards in the workforce.	No new specific initiatives commenced during the year. 	1 4 7 11	Our Environment Our People
To return value to our shareholders.	Strong ESG focus to ensure long-term value creation.	Comprehensive protocols and actions compiled to address a range of possible adverse situations faced by the Company. Rigorous monthly financial reporting for prudential and managerial purposes. Incorporation of governance internal procedures into the Integrated Management System (IMS). 	1 2 3 4 5 6 7 8 9 10 11 12 13	Our Business Our Environment Our People Our Community
	The Group continues optimising the Project to build a more sustainable business.	Feasibility Study for the Muga Project updated to include all conditions in the Mining Concession. This Feasibility Study Update reconfirmed Muga's strong economics based on long-term price estimates. The updated numbers have a significantly higher degree of confidence following the engineering and procurement work. 	1 2 3 4 5 6 7 8 9 10 11 12 13	Our Business Our Environment Our People Our Community

Our Progress to Building a More Sustainable Business

Muga Mine, at the forefront of sustainability

Zero Residue Mine

The Company's Waste Management Program "KClever" is a planned waste management strategy. It includes a recovery-of-waste approach whereby waste from processing will be transformed into saleable by-products - one third as de-icing salt and two thirds as vacuum salt, which are then used as raw materials in the production cycle in other sectors. Additionally, the excavated earth will be reused to construct noise and visual barriers.

The Muga design has applied life cycle analysis to the principle of waste management hierarchy, notably in regard to salt waste. As MOP and salt are formed together underground, the prevention of salt waste is not possible but it has been minimised by the planned initiatives which will reduce the waste generated over the life of the operation. The Muga design has also prioritised using waste mine material as backfill, as well as recycling it into secondary raw materials. Together, these measures mean that no waste will remain on surface after the end of operations.



All mining waste will be reutilised.



Salt by-product will be obtained and commercialised.



Non-recoverable waste will be reintroduced in the mine rooms through dry backfilling.



Environmental liability. At the end of the mining activity no waste will be left on surface. The land's previous use can be restored.



Dry backfilling consists of reintroducing mined material to the mine rooms after having processed it to obtain potash and salt. The process developed by the Company excludes the use of any additional water and the use of cement, meaning 11Mt cement will no longer be used. Backfilling will also eliminate the impact on the surface as non-recoverable waste will be reintroduced in the mine rooms within 28 days from its extraction.

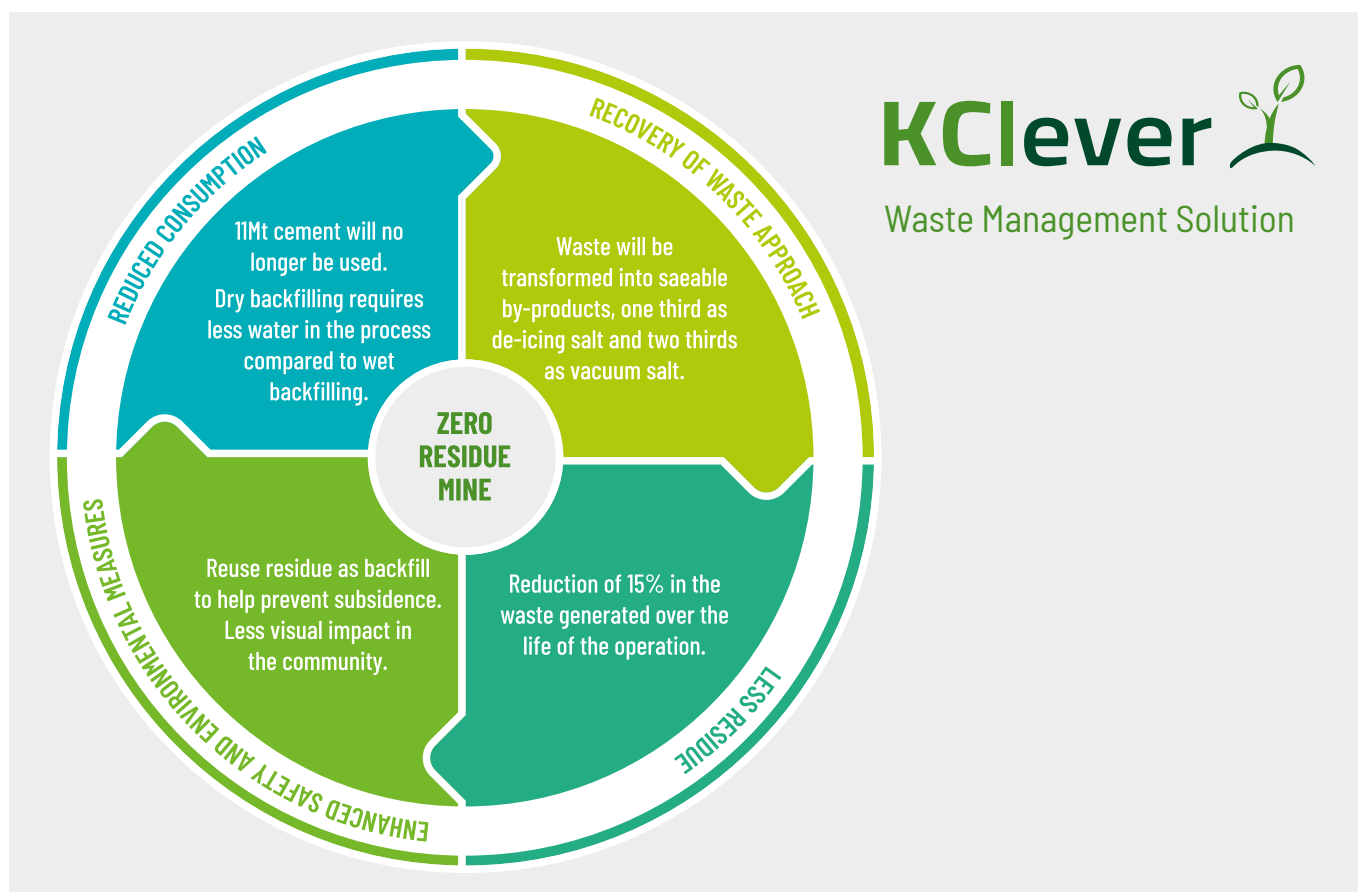
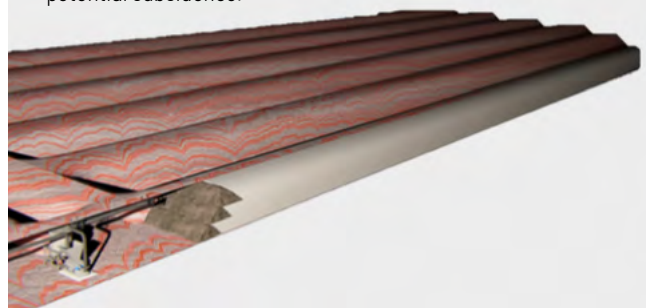
With regard to salt valorisation, about 15% of waste will be recovered and transformed into saleable by-product salt, in the form of vacuum salt and de-icing salt, resulting in less residue.

Muga's innovative backfilling process reflects a major investment in R&D to help ensure compliance with the highest environmental standards whilst setting a benchmark in the mining sector in terms of waste management.

Dry backfilling

Backfilling of mined rooms within 28 days.

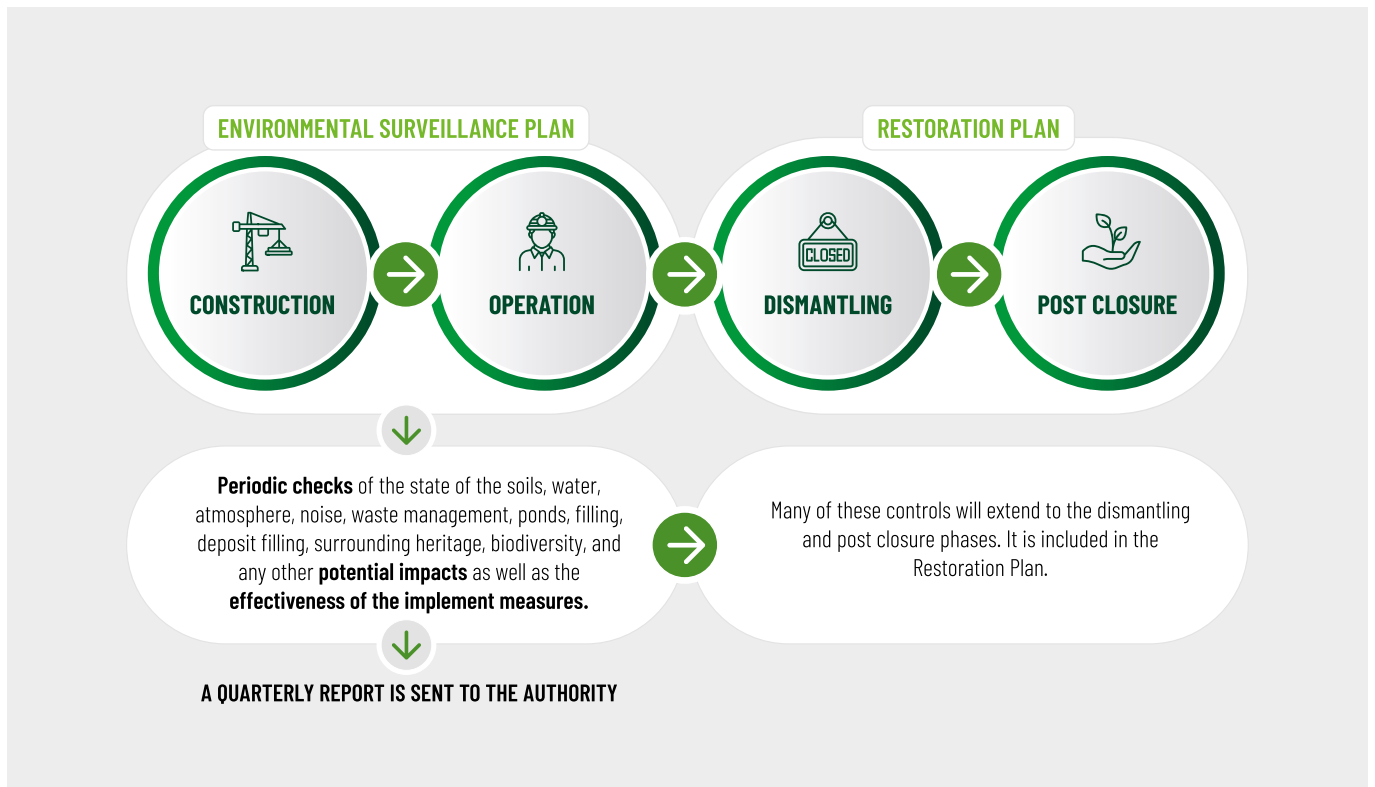
More than approx. 70Mt of waste will be reintroduced through backfilling, eliminating both its impact on the surface, and potential subsidence.



KClever 
 Waste Management Solution

Comprehensive environmental controls & full reclamation

Under Spanish regulation, the Company is required to periodically check the state and management of the surrounding environment, and to implement measures to protect it, as well as check the effectiveness of such measures. These requirements are aligned to the Environmental Surveillance Plan, which Geocalca has already in place. During the mine's operation quarterly reports will be sent to the Authority. Many of the controls will also be extended and included in the Restoration Plan that will apply during the dismantling and post closure phases. The surrounding environment elements that are taken into consideration in these Plans cover soils, water, atmosphere, noise, waste, ponds, surrounding heritage, biodiversity, and any other elements that could be impacted by the activity of the Company.

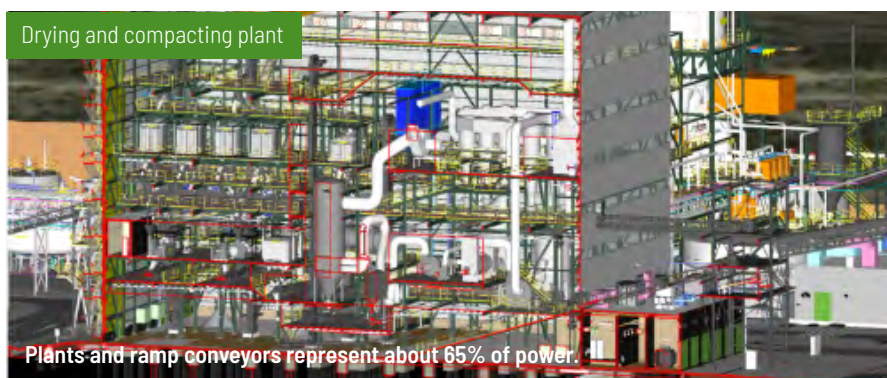


Electricity optimisation measures reduce energy consumption by ~15%

As part of Highfield's commitment to energy consumption reduction, the plant and the mine are designed to reduce both consumption and emissions, being well below the limits.

Electricity optimisation measures have been implemented to reduce energy usage by ~15%. Efficiency measures include the implementation of IE3 efficiency motors above legal requirements and Tier II transformers, which are a 10% more efficient than eco design ones. Furthermore, the equipment is layered in different heights to benefit from gravity.

In relation to gas consumption, the project complies with both the legislation and the additional improvements required by the regional authorities. In addition to this the Company has also implemented improvements such as a high efficiency natural gas burner with low NOX emissions, and a heat recovery system for the dryers.



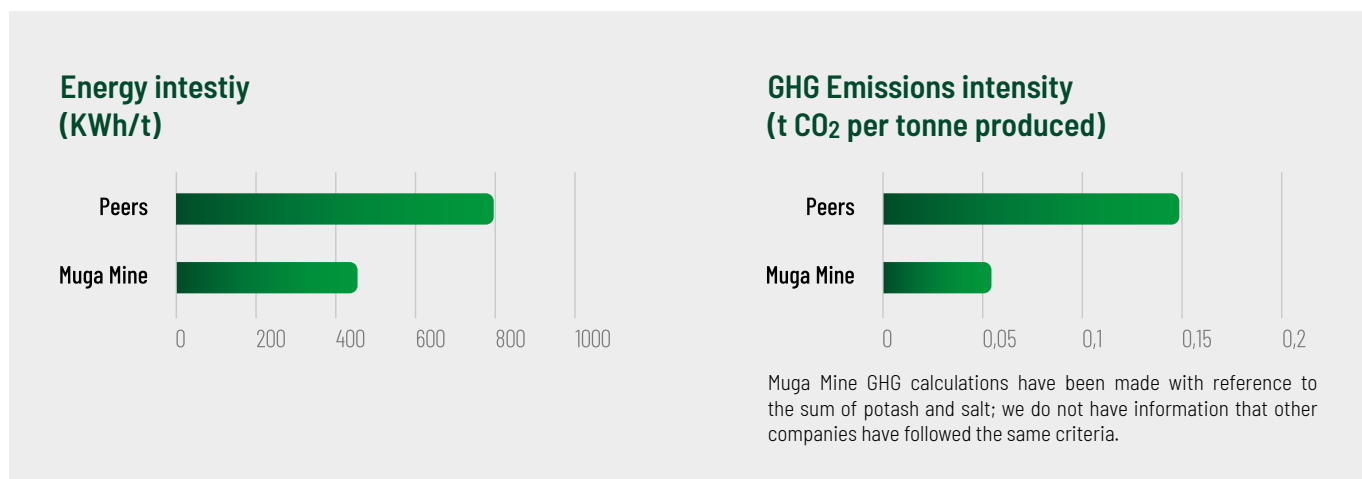
Energy intensity and CO₂ emissions

According to available data, the industry average for energy intensity would be between 600 and 800 kWh/t. Geoalcali's energy intensity is expected to be 445,446 kWh/t, well below its industry peers.

GHG Emissions intensity (tonnes CO₂e per tonne produced): most producers' emissions intensity are in excess of 0.15 t CO₂e per tonne produced, whereas Geoalcali's is expected to be 0.054 t CO₂e. To calculate this both scope 1³ and 2⁴ have been accounted for.

³Scope 1 assess direct emissions from Company's vehicles and operations as well as gas usage.

⁴Scope 2 assess the emissions derived from electricity consumption.



Optimised water management: a significant percentage will be sourced from recycled water

Muga Mine's water management has been optimised to minimise fresh water consumption and to increase recycled water usage. This means that 48% of the overall water consumption will be water recovered from rain or different parts of the process, while the remaining 52% will be taken from the Bardenas Canal, which is a regulated human-built infrastructure for industrial and agricultural use. No water will be taken from a riverbed or another natural source. Consequently, the two main elements of the Company's water management plan are water optimisation (water consumption will be half of what it otherwise would be if the mine's land was used for crops such as corn), and the exclusion of water disposal to any waterbed.

Protecting biodiversity and cultural heritage

The Project's footprint occupies a natural valley area, which is well shielded from the surrounding area. This is beneficial because the natural terrain offers noise reduction and also largely shields the installations from the line of sight in the surrounding areas. As the land used for the project is mainly used for crops no resettlements are needed and no protected natural areas will be affected.

During the permitting process, extensive flora, fauna and habitat studies have been undertaken and measures to protect them have been adopted.

The Company will work with environmental NGOs to protect and improve the surrounding habitats.

Assets of cultural interest in the surrounding area will not be affected by the industrial facilities of Muga Mine. The project will not mine in the exclusion areas around the Javier Castle, the Bardenas Canal or in urban areas.

Additionally, the Company is collaborating with the local communities to compile a Muga Community Development Plan. This will include mitigation measures to address potential negative affections as well as initiatives that will maximise the positive contributions that this project will bring to the host communities.





Stakeholder dialogue

All of our employees are encouraged to be engaged in their working environment and to base their decisions on the principles of sustainability. For many of our employees, this includes regular dialogue with stakeholders to engage in discussions with relevant stakeholder groups on specific local and regional challenges. This allows us to engage effectively and maintain a continuous dialogue to manage properly sustainability trends, expectations and needs from our stakeholder groups. In 2021, as in previous years, Highfield employees met with community leaders, politicians, scholars, business people and experts in different disciplines.

Community celebration after mining concession

The President of Navarra accompanied by distinguished representatives from the authorities in Navarra and Aragón, as well as representatives from the local community and Town Halls in the Muga area and representatives of political parties in the region, participated in a celebration event to commemorate the award of the Mining Concessions for the Muga project. The President of Navarra, Ms. Chivite, said: *"[the Project] is robust thanks to the different administrative procedures that Muga has gone through until the Mining Concession"* and she recalled that this project *"has been subject to numerous and rigorous processes, taking into account the participation of a large number of organisations and incorporating improvements, including two periods of public consultation and an exhaustive process of citizen participation, resulting in a sustainable and important project for the economic recovery of the region"*.

"Muga will be a project that will provide an important boost for job creation and will be an effective instrument in the fight against depopulation, creating quality employment, which will reactivate the area."

President Chivite



President Chivite, Economy Minister, Mikel Irujo, Government representatives, Lucia Echegoyen, Mayoress of Sangüesa and the Highfield team.

Forums

Employment and Training



Young Talent and Companies – Technical training opportunities forum

Following its employer of choice strategy, the Company participated as a speaker in different forums to disseminate mining as a sector for professional development and employment for young people, students and workers in general.

Local Community Forums



The Company presented its Buy Local Policy to the Muga communities.

We were invited to join a live radio show in Sangüesa organised by the main radio station of the region with the aim at promoting visibility to depopulated rural areas. During this session we had the opportunity to share scenarios with key local representatives (Mayorress of Sangüesa and Javier, as well as the Government of Navarra) and were able to explain the major benefits of the project, emphasising the importance of local suppliers.



Local leaders in conversations with the Company.

The Company is working with the local communities and governments to discuss how best to coordinate its long term engagement with them. The Company has also initiated discussions with relevant officials about the need for local authorities to make plans for areas such as housing and infrastructure, for whose development they are responsible. The purpose of this engagement is to define a formal Local Liaison Group (LLG) to help us in the definition of Muga's Community Development Plan.



Adefo's Board meeting September 2021

The Company was also invited to present the Project and specifically explain its socioeconomic impact to the ADEFO (Rural Development Agency of Cinco Villas - Aragón) Board.

Partnerships and memberships

During International Day of Women and Girls in Science, Geoalcali participated in a school talk aimed at promoting interest, especially among girls, in studying the different specialities offered by the STEM careers, in order to encourage their incorporation into the industrial world and in particular into mining, a sector that offers a wide range of possibilities in the field of science. These talks form part of the official mining communication programme of the Government of Navarra, MINERETICA, in which Geoalcali actively participates among other members of the mining industry in Navarra.



The Company continued seeking alliances with key associations with the aim is to drive transformation in our sector, in an ethical, socially responsible and environmentally sustainable way. During 2021 the Company joined:

- AECV, the business association of Cinco Villas;
- ALIA, the logistics cluster of Aragón;
- ADEA, the executive managers association of Aragón;

The Company continues to be a member of:

- CONFEDEM - the Spanish mining confederation;
- AEMINA - an association of mining companies of Navarra;
- ASBA - the business association of Australia in Spain;
- IFA - International Fertilizer Association;
- Navarra Chamber of Commerce - an association of Navarra companies;
- AINDEX - a Spanish mining association;
- ANEFA - a Navarra mining association; and
- FIN - the Industrial Foundation of Navarra is a non-profit organisation created by the Official College of Industrial Engineers of Navarra and the Association of Industrial Engineers of Navarra.

The Geoalcali Foundation is a member of the Association of Foundations of Navarra. This association is comprised of the main non-profit associations in Navarra, both public and private.



Seals and awards

Ignacio Salazar was nominated in Aragón's most important entrepreneurial award event (ADEA Award) as an executive leader of the year in big projects category. The award event had a high attendance of government authorities, business leaders, politicians, and media. This has given the Company the opportunity to present Muga Mine as a sustainable, innovative, and key project for Aragón.



Ignacio's nomination at Adea awards.

We have also received our RSA certificate award from the Aragón Government due to our commitment to their official sustainability programme.



President Chivite, Minister Irujo and Mr. Salazar.

Community, building a future together

Right from the beginning of the process, the Company has engaged with local community representatives to ensure they remain aware of our Project from its onset and have ample opportunity to use dedicated channels to communicate any concerns. The Company has been and remains eager to work with the people in these communities to ensure the Company's performance is aligned with ethical principles of integrity, transparency and honesty to gain, retain and maintain its Social License to Operate (SLTO).

Geocalci has undertaken numerous explanatory meetings with the residents of the towns and villages located in Navarra and Aragón which sought to address any concerns raised by the people in the region in a collaborative manner. The Company has also made numerous presentations to community leaders' meetings and to locals to provide status updates about Muga. In total, the Company has organised more than 30 informative events. In 2021, the Company organised five different events with the aim of continuing its open relationship with the communities.

Town	Type of Engagement	Month	Year	Participants
Sos del Rey Católico	Informative Event - Local Suppliers	11	2021	70
Sangüesa	Informative Event - Local Suppliers	11	2021	75
Ejea de los Caballeros	Informative Event - Local Suppliers	11	2021	50
Ejea de los Caballeros	Informative Event	9	2021	16
Sangüesa	Informative Event	6	2021	70
Javier	Breakfast with Mayors	3	2021	8
Javier	Breakfast with Mayors	7	2019	40
Sangüesa	Open Doors	9	2019	400
Javier	Breakfast with Mayors	8	2018	40
Sangüesa	Open Doors	10	2017	200
Cinco Villas	Informative Event	2	2016	30
Sangüesa	Deliberation Sessions	6	2016	100
Sos del Rey Católico	Deliberation Sessions	6	2016	20
Javier	Informative Event	2	2015	20
Sangüesa	Informative Event	7	2015	200
Sos del Rey Católico	Informative Event	7	2015	100
Lumbier	Informative Event	9	2015	5
Urríes	Informative Event	10	2015	15
Liédena	Informative Event	7	2015	unknown
Yesa	Informative Event	7	2015	unknown
Sangüesa	Informative Event	2	2015	unknown
Pintanos	Informative Event	5	2014	50
Undués de Lerda	Informative Event	11	2014	20
SDP	Informative Event	2	2014	unknown
SDP	Informative Event	6	2014	unknown
Sangüesa	Informative Event	9	2014	unknown
Sangüesa	Informative Event	11	2014	unknown
Sangüesa	Informative Event	5	2014	unknown
Javier	Informative Event	5	2014	unknown
Javier	Informative Event	8	2014	unknown
Javier	Informative Event	6	2014	unknown
Javier	Informative Event	3	2014	unknown
Liédena	Informative Event	6	2014	unknown
Sangüesa	Informative Event	7	2013	200
Undués de Lerda	Informative Event	10	2013	10
Galar	Informative Event	7	2013	unknown
SDP	Informative Event	10	2013	unknown
SDP	Informative Event	5	2013	unknown

Table 3: Public participation and communication events held by Geocalci with local communities

The Company monitors continuously all available channels seeking to listen to, and take into account, all expectations from local stakeholders in order to enhance its CSR strategy continuously.

With this long-term view in mind, the Company started planning how best to assess the current socio-economic situation of the Muga communities of interest (COI). In informal discussions with local leaders and regional government there was a consensus on the need to assess this type of data.

The Government of Navarra, namely the Observatorio de la Realidad Social, decided to undertake a Social Baseline Study (GNSBS) to diagnose the current socio-economic situation of Muga Mine's COI prior to construction works commencing. This type of information is also valuable for two main reasons. In first place, the collected information could guide the Company in its CSR strategy. The data collected in the study helps the Company understand the potential positive and negative impacts of the Project and consider, based on that information, the implementation of mitigation strategies for negative impacts and strategies to maximise the positive impacts, working with the impacted communities in a strategic manner. Secondly, the data collected and the intention to undertake follow-up studies at specific intervals after Project commencement would help the Company measure changes that impact positively and negatively and be able to attribute these to the mine or other external activities.

The Company will work with local communities and authorities to address the eight area of action identified in the GNSBS. More importantly, it suggests forming thematic working groups (depending on the impact) with Government, local authorities, and the Company to work together in all the Project phases.

In response to these action area, the Company is working on a formal response and commitment to the areas suggested in the study. These actions areas have also considered international sustainability frameworks such as the SDGs.



Government of Navarra presented the Social Baseline Study of Muga Mine in Sangüesa Town Hall

The eight action areas are:



Population

Initiatives to influence demographic rebalancing in terms of population rejuvenation and improvement of population replacement rates.



Occupational preparedness

Maximise local supplier engagement throughout the phases of the Project (construction and production).



Demographic equilibrium

Initiatives to promote female employment to minimise any gender imbalance arising from transitioning to urban areas due to the lack of opportunities.



Diversity and adequate distribution

A preference to distribute housing and other services throughout the COI, minimising the effect of newcomers to the area only focusing on Sangüesa and Pamplona.



Redefine new services needed

Monitor the situation and expect an increase in general services.



A new housing plan

There is a need to increase housing availability.



Social integration

Work on initiatives to integrate newcomers to the area throughout the communities.



Work in parallel with alternative work opportunities

Boost entrepreneurship and limit dependency on the mine.

Communication channels and grievance mechanism

As well as regular communication through such events, the Company constantly monitors all its communication channels and circulates surveys to key representatives of local communities to better understand if its efforts are being reaching audiences and being communicated in the right way.

The Company has not received any formal grievances during 2021. The following table summarises comments and grievances received from all communications via website channels, direct contact, phone, suggestion boxes in eleven community locations, and online/offline feedback forms during engagement events.

	2016		2017		2018		2019		2020		2021	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
In Favour	4	0	16	54	73	31	17	97	8	11	1	15
Unfavourable	0	0	1	4	1	2	0	1	0	0	0	0
Neutral	0	0	3	25	4	5	0	7	0	0	0	0

Queries												
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
Received	4	0	5	17	8	5	0	3	0	0	0	0
Managed	4	0	5	17	8	5	0	3	0	0	0	0
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Grievances												
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
Received	0	0	0	0	0	0	0	0	2	0	0	0
Managed	0	0	0	0	0	0	0	0	2	0	0	0
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 4: Feedback received from local communities.



Local suppliers events

Geoalcali organised three local supplier information sessions in Ejea de los Caballeros, Sangüesa and Sos del Rey Católico attended by more than 200 business people from the area. The Mayoress of Sangüesa, Lucía Echegoyen, as well as Sos del Rey Católico Mayoress, María José Navarro, and institutional representatives from neighboring towns such as Yesa, Rocafort, Cáseda, Eslava, among others, also attended the event.

Following the granting of the mining concession, Geoalcali is moving towards the construction of the Project, thus entering a new phase. The Company has a Buy Local Policy in place and considers that the support and engagement of local suppliers an important contributor to the success of the Project.



Local Supplier Event in Sangüesa

The Geoalcali Foundation

The Geoalcali Foundation has sponsored the E-Learning programme of the Commonwealth of Cinco Villas since 2015. This educational initiative reaches local residents of Undués de Lerda, Urriés, Lobera, Longás, Navardún, Pintanos, Bagüés with the purpose of raising IT literacy and thus improving the employability of the active population which in turn, contributes to equal opportunities between rural and urban areas. This initiative promotes the integration of people who arrive in the region and do not know the language or have a lack of IT skills.

During the Covid-19 pandemic the Geoalcali Foundation also contributed with its purchase of school materials to adapt the Sos del Rey Católico School, Isidoro Gil de Jaz, centre for online classes. The Foundation also contributed with the purchase of masks, gels, disinfection mats, protective screens and toy disinfectant.

The Geoalcali Foundation, together with the Liédena Town Council organised the event “Penultimate journey of the Irati train”. This is a tourism initiative to raise awareness on the cultural heritage of the town by using a train that is no longer in use but is part of the town’s history.

Our people, the Company's main ambassadors

The Company staff is a very important stakeholder. A healthy relationship with this stakeholder group can bring direct benefits in generating a strong commitment to the organisation. We are facing a paradigm of change, driven by Covid. This has pushed people to question intangible aspects and to ask themselves whether the Company they work for is aligned with their values. In other words, what we understand today as "corporate purpose" must resonate and move employees.

The Company has struggled during the pandemic and employees have directly suffered as a result of the delays from the permitting process. Despite their pay being reduced and additional work pressures, the team remained united and understanding of the common purpose of building the Muga project together. This signifies that the people working for the Project are committed and understand the great opportunity it will provide to them and the region.



Health and safety

The Company continued monitoring the Covid pandemic through its Covid Committee which assessed risks and implemented protocols to protect the staff. The Company did not report any significant infection spread from any staff member.

Accidents: The Company registered a minor accident involving an operator travelling to work. No lost time was reported. After being medically assessed at a nearby hospital the driver was discharged a short time later with no physical injuries sustained.



Training

During this year, training efforts have focused on Health and Safety with the aim of guaranteeing that all personnel forming part of the Project have the appropriate training and preventative knowledge for the work they are going to carry out.

The Company has also carried out training on Labour Legislation with the aim of implementing a Labour Compliance Plan.

H&S Training

- Fire Prevention and Emergency Measures: Prevention, Extinguishing and Evacuation: Total 9 hours (3 hours per person).
- Information, consultation and participation of workers in the prevention of occupational hazards: Total 33 hours (1 hour per person).
- Covid protocol in the office: Total 33 hours (1 hour per person).
- Covid risks and preventive measures: Total 15 hours (3 hours per person).
- Warehouses: risks and preventive measures: Total 3 hours (3 hours per person).
- Data visualisation screens: Risks and preventive measures: Total 12 hours (3 hours per person).
- Investigation of accidents and incidents in the workplace: Total 15 hours (3 hours per person).

Coordination of Business Activities

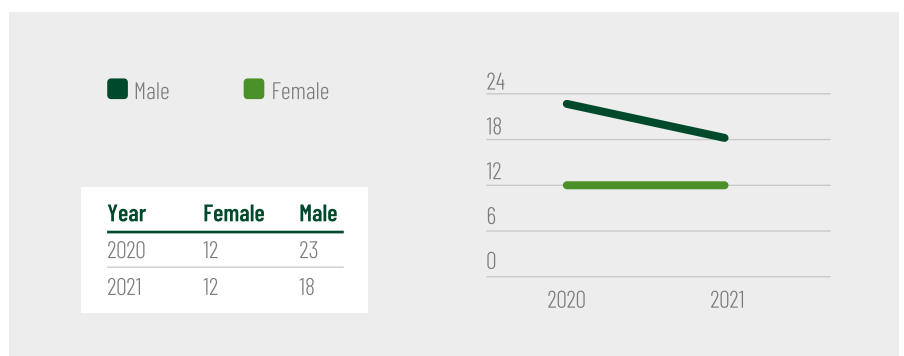
- First Aid: Total 12 hours (3 hours per person).
- Basic Principles, General Risks and Preventive Measures: Total 9 hours (3 hours per person).
- Protection of particularly sensitive workers: Pregnancy, Maternity and Breastfeeding: Total 9 hours (3 hours per person).
- Road Safety at Work: Total 12 hours (3 hours per person).
- Noise: risks and preventive measures: total 3 hours (3 hours per person).
- Electrical Risk: Risks and preventive measures: Total 3 hours (3 hours per person).
- Prevention of stress at work: Total 3 hours (3 hours per person).
- Offices and offices: Risks and Preventive Measures: Total 12 hours (3 hours per person).

Diversity and work-life balance enhanced protocols

Regarding specific grievance procedures and in accordance with our Whistleblower Policy, a Harassment Prevention Protocol has been implemented to assist in the event of any sexual and/or gender-based harassment.

In terms of flexible working hours, paid leave has been included, which includes measures for work-life balance and accompaniment of family members, and requests for flexibility measures other than those included in the Company's work calendar.

In accordance with our Diversity Policy, a system for assessing candidates has been included in the personnel selection procedure, so that the gender variable is independent throughout the selection process. In addition, the remuneration policy is reviewed annually, where salaries are studied and analysed in order to correct any inequalities in accordance with the remuneration register established by the Equality Act of the Spanish law.





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 2021.

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

Geocali Foundation

Corporate

Annual Review of Ore Reserves and Mineral Resources

Corporate Governance – Resources and 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

End of Audited Remuneration Report

Directors

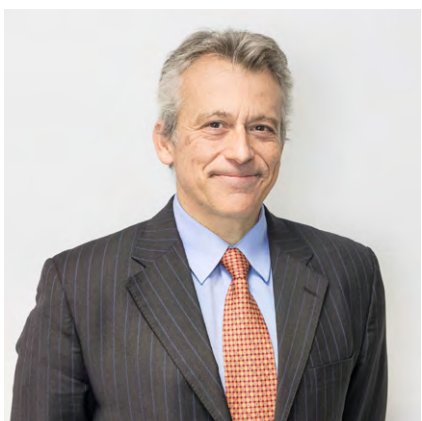
The names, qualifications and experience of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.



Mr. Richard Crookes

Independent Non-Executive Chairman, 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 is currently Managing Partner of Lionhead Resources, having previously 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). 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 three other directorships of listed companies (Chairman Black Rock Mining Ltd BKT:ASX, since October 2017; Non-executive Director Lithium Power International Ltd LPI:ASX, since October 2018; Non-executive Director of Barton Gold Holdings Ltd BGD:ASX, since February 2021).



Mr. Ignacio Salazar

Managing Director and Chief Executive Officer

Mr. 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. Ignacio 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. Salazar had previously pursued an 18-year international career in oil and gas exploration and production with Royal Dutch Shell.

Educated at the University of Deusto (Bilbao) where he completed his master's degrees in Economics and Business and Law, Ignacio 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 from London, Europe and North America, both raising capital and in mergers and acquisitions. In the three years immediately before the end of the financial year, Mr. Salazar held no other directorships of any Australian listed company.



Ms. Pauline Carr

Independent Non-Executive Director, BEcon, MBA, FAICD, FGIA, FCG (CS CGP)

Ms. Carr has over 30 years' commercial experience in management, corporate governance and compliance, mergers and acquisitions, investor and stakeholder relations and company reorganisations. She is a professional non-executive director and also 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 the South Australian Minerals and Energy Advisory Council and National Pharmacies. Ms. Carr joined the Board of ASX listed Australian Rare Earths Limited in 2021 and in the three years immediately before the end of the financial year, Ms. Carr did not hold any other listed company directorships.



Mr. Roger Davey

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

Mr. Davey is currently a Non-Executive Director of London Listed Atalaya Mining, Central Asia Metals and Tharisa plc.

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). Mr. Davey also holds a Master of Science degree in Water Resource Management from Bournemouth University. In the three years immediately before the end of the financial year, Mr. Davey held no other directorships of any Australian 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 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.

Mr. Jamieson is currently Non-Executive Chairman of the Audit and Risk Committee of IODM Limited and is currently a Non-Executive Director of Energy Technologies Limited (EGY.ASX appointed 24 December 2020) and Highfield Resources Limited. Mr. Jamieson was formerly Non-Executive Chairman of Sigma Healthcare Limited (resigned 13 May 2020), Non-Executive Chairman of Mesoblast Limited (resigned 31 March 2019), Non-Executive Director of Oxiana/OZ Minerals Limited from 2005 to 2015 and served as Chairman of Audit Risk and Compliance, Nomination and Remuneration, and Due Diligence Committees. He was a Non-Executive Director of Tatts Group Limited from 2005 to December 2017 and served as the Chairman of Audit and Risk Committee, Chairman of the Due Diligence Committee and member of the Remuneration Committee. He was also a Non-Executive Director of ASX listed Tigers Realm Goal from 2010 to 2015 and chaired various committees.

He has not held any other listed directorships in addition to those set out above in the past three years.



Mr. Isaac Querub
(retired 27 September 2021)

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.



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.



COMPANY SECRETARY
Ms. Katelyn Adams

B.COM (Acc/Fin), CA (Appointed 8 February 2021)

Ms. Adams is a partner of HLB Mann Judd, with over 15 years of accounting and corporate advisory experience, servicing predominantly ASX listed companies. She has extensive knowledge in corporate governance, ASX Listing Rule requirements, IPO and capital raising processes, as well as a strong technical accounting knowledge.

Ms. Adams is presently a non-executive director of Clean Seas Seafood Limited, as well as the Company Secretary of Petratherm Limited, Duxton Water Limited and Duxton Broadacre Farms Limited.



Mr. Donald Stephens

BA (Acc), CA (retired 8 February 2021)

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 Petratherm Limited. Additionally, he is Company Secretary of Petratherm 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).



Mr. Paul Harris
(Appointed effective 25 March 2022)

Independent Non-Executive Chairman, B Comm, M Eng. (Mining) GAICD

As recently announced to the ASX, Mr. Harris will join the Board of Highfield Resources Limited as an independent non-executive Director and Chairman on 25 March 2022. Mr. Harris has over 25 years' experience in financial markets and investment banking, including roles with Citibank, Bankers Trust and Merrill Lynch advising mining organisations on strategy, mergers and acquisitions, and capital markets. He is well known by the Australian investment community and was also Managing Director – Head of Metals and Mining at Citi for several years.

Most recently Mr. Harris has been working with mining company boards as a non-executive director as well as providing advisory services on strategy and finance. He is currently the non-executive Chairman of ASX-listed Aeon Metals Limited (ASX: AML) and a non-executive Director of ASX listed Aurelia Metals Ltd (ASX:AMI). In the three years immediately prior to the end of the financial year Mr. Harris did not hold any other ASX listed company directorships.

Mr. Harris has a Masters of Engineering (Mining) and a Bachelor of Commerce (Finance) from the University of New South Wales and is a graduate of the Australian Institute of Company Directors.

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.

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 \$0.83 each on or before 30 Jun 2022	Options – exercisable at \$0.81 each on or before 30 Jun 2023	Options – exercisable at \$0.47 each on or before 31 Dec 2023	Options – exercisable at \$0.47 each on or before 31 Dec 2024	Options – exercisable at \$0.47 each on or before 31 Dec 2025	Options – exercisable at \$0.865 each on or before 31 Dec 2024	Options – exercisable at \$0.865 each on or before 31 Dec 2025	Options – exercisable at \$0.865 each on or before 31 Dec 2026
Richard Crookes	74,987	1,000,000	1,000,000	-	-	-	-	-	-
Ignacio Salazar	126,700	-	-	333,333	333,333	333,334	591,803	509,961	459,971
Pauline Carr	62,101	-	1,000,000	-	-	-	-	-	-
Roger Davey	9,251	-	1,000,000	-	-	-	-	-	-
Brian Jamieson	66,943	-	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 2021 was \$6,699,579 (year ended 31 December 2020: \$24,390,718).

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-Vipasca Project.

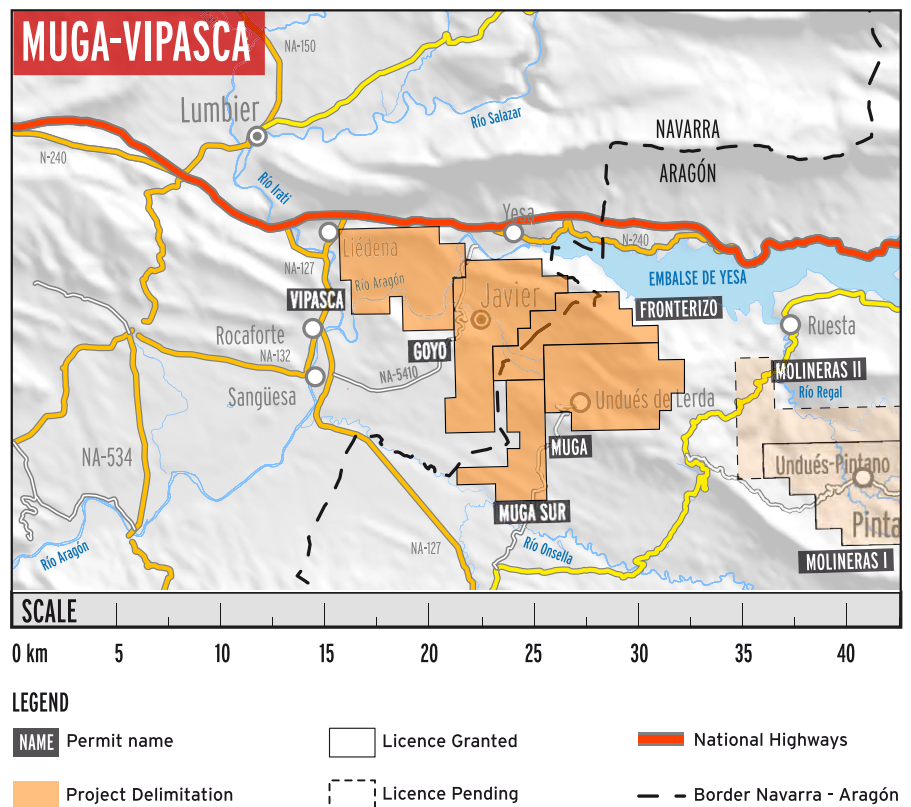
Review of Operations

Muga-Vipasca Project

Highfield's flagship Muga Project ("Muga" or "the Project") is targeting the relatively shallow sylvinitic beds in the Muga Project area that covers about 46km² located in the Provinces of Navarra and Aragón. 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.

During Q1 2022, Highfield relinquished the Goyo Sur and Muga P.I. areas within the Muga project due to their lack of geological interest.

Given Vipasca's location adjacent to Muga and its geological characteristics, it has always been considered as a natural continuation of the Muga deposit. The interpretation of the geological information obtained in recent years at Vipasca has shown that the potash unit is too deep in the central and western areas of the permit, situated at least more than 1100 meters depth. Consequently, the Company has relinquished these areas in 2021, preserving the more economical eastern sector, and resulting in the current area covering approximately 14km². The eastern part of the Vipasca permit, previously categorised as an Exploration Target, is currently defined as Mineral Resource and is considered an extension to the Muga Mining Concession.



Permitting process

As reported on 6 June 2019, the Company obtained a positive Declaración de Impacto Ambiental (“DIA”) in respect for the Muga Project, thus accomplishing a key permitting milestone to move its Muga Project forward. The granting of the environmental permit was published in the official Spanish public bulletin on 21 June 2019.

Following the DIA award, Highfield focused on securing the Mining Concession (“MC”) and the construction permits necessary to take the Project into the construction phase. The MC documentation was submitted on 13 March 2020, after which the Company maintained constant dialogue with the relevant authorities in order to expedite the MC process.

The authorities split the MC documentation into five sections. During the sections review, the Company replied to all questions from the authorities in Madrid, Aragón, and Navarra. Following the completion of the review and the reception of the last report required in the final section of the MC from the environmental department of Aragón, the Mining Authorities of the three administrations involved submitted the final MC text to the Government’s lawyer for a final legal review. Shortly after, on 1 July 2021, the MC was granted for three areas that comprise the Muga Project, namely Fronterizo, Muga and Goyo.

On 4 March 2021 the Social Baseline Study, an independent study commissioned by the Government of Navarra was published (refer ASX release 5 March 2021 “Government of Navarra releases Social Baseline Study”). This study had very positive conclusions for the Muga Mine highlighting the upside of the Project and its favorable effect on the communities around the mine. It is acknowledged that the Project will boost the economies of the rural communities around the mine by generating employment and indirect business opportunities. Moreover, it points out that the Muga mine has the potential to significantly reverse the severe depopulation and unemployment affecting the surrounding communities. The Study also demonstrates the strong support to the Project from the Government of Navarra.

As reported in the ASX release 19 July 2021, “Muga Mine Site Event”, following the MC award the Company held an official event at the mine site that was attended by distinguished representatives from the authorities in Navarra and Aragón, as well as representatives from the local communities, town halls in the Muga area, and representatives of political parties in the region. At the event, the President of Navarra, Ms. María Chivite, highlighted the strategic importance of the Muga Mine for the economic recovery of the region.

Regarding other permits, the Company continues to progress towards the construction licenses for the processing plant and the mine gate, of which the town halls of Sangüesa (Navarra) and Undués de Lerda (Aragón) are responsible respectively. The Company has been in discussions with the Navarra administration to split the license for electricity works from the main construction license of the processing plant and a decision on its award is expected in the next few weeks. Although not essential for the Project, an early electricity works license would allow the construction of the electricity line ahead of the main construction of the Project thereby allowing the use of electricity from the grid rather than from generators with significant savings in costs and CO₂ emissions.

Technical and economical update

In line with the plan, the engineering consultancy firms released to Highfield the detailed design for the Project at the end of December 2020. During the first half of 2021, the Company's technical team analysed and reviewed the documentation to ensure the design met the objectives of the Project and to identify any potential improvements.

During the second half of 2021, with the MC already in place, Highfield continued to advance Muga to construction readiness with a focus on finalising the purchase of some long lead time equipment. As announced, Highfield signed a purchase contract with Weir Minerals for the acquisition of Screens and Cyclones (refer ASX release 21 September 2021, "Purchase Contract Signed for Process Plant Equipment"). During the fourth quarter of the year, a contract with Eriez Flotation Division Canada Inc ("Eriez") for the purchase of the column cells for the secondary flotation was signed and in February 2022 the Company announced that after signing contracts with Metso Outotec Finland to provide the thickeners and with TEMA Process BV to provide both the potash and salt dryers, as well as the dedusting systems and the wet scrubber of the crushing area, all the key components of the process plant had been signed with the suppliers (refer ASX release 15 February 2022, "Remaining Purchase Contract Signed").

In parallel, the Company has shared the information with its construction partner, Acciona, to progress with the negotiation of the construction agreement and the project implementation.

The Company carried out a Feasibility Study to provide an update to the Muga-Vipasca Potash Project which reconfirmed the compelling economics of the Project (refer ASX release 8 December 2021, "Muga Feasibility Study - Updated"). The Study is underpinned by the advanced engineering and procurement where 86% of the capex estimate is based on signed contracts, firm offers and updated prices.

The updated project economics resulted in an NPV8 of €1.89 billion and an IRR of 25% over a 30-year mine life, while the sensitivity analysis using December 2021 flat real spot prices for the whole life of mine resulted in a post-tax NPV8 of €2.8 billion and an IRR of 42%. The updated capex for Phase 1 is €398 million, and €209 million for Phase 2.



Sales and marketing update

In previous years, Highfield has signed non-binding MOUs representing more than its full Phase 1 production capacity for potash and salt.

During most of 2021, the potash market has experienced supply constraints which, together with high farmer affordability and the implementation of governmental policies to ensure food safety due to Covid-19, have boosted prices. This environment has encouraged discussions with traders, potential offtake partners and logistics partners interested in a strategic participation in the Project.

The Company has kept developing and formalizing its sales, marketing, and logistics strategy by signing agreements with the Port of Pasajes (refer ASX release 2 August 2021, "Updated MOU Signed with Port of Pasajes") and with the Port of Bilbao (refer ASX release 30 August 2021, "MOU Signed with Port of Bilbao").

Project financing

Since its appointment in November 2020, the Company has worked closely with Endeavour Financial, a leading independent advisor, to secure appropriate financing for Phase 1. Based upon its assessment of the Muga Project and following positive feedback on a draft term sheet by a potential syndicate of lenders, the Company is targeting debt sizing of around €300 million to start construction of Phase 1. The due diligence is progressing well, and the plan is to have an update on the term sheet with the banks in the first quarter of 2022.

A comprehensive due diligence process was undertaken during the last quarter of the year and included a site visit by consultants covering technical, environmental, and social assessments of the Muga Project. The corresponding due diligence reports have now been finalised.

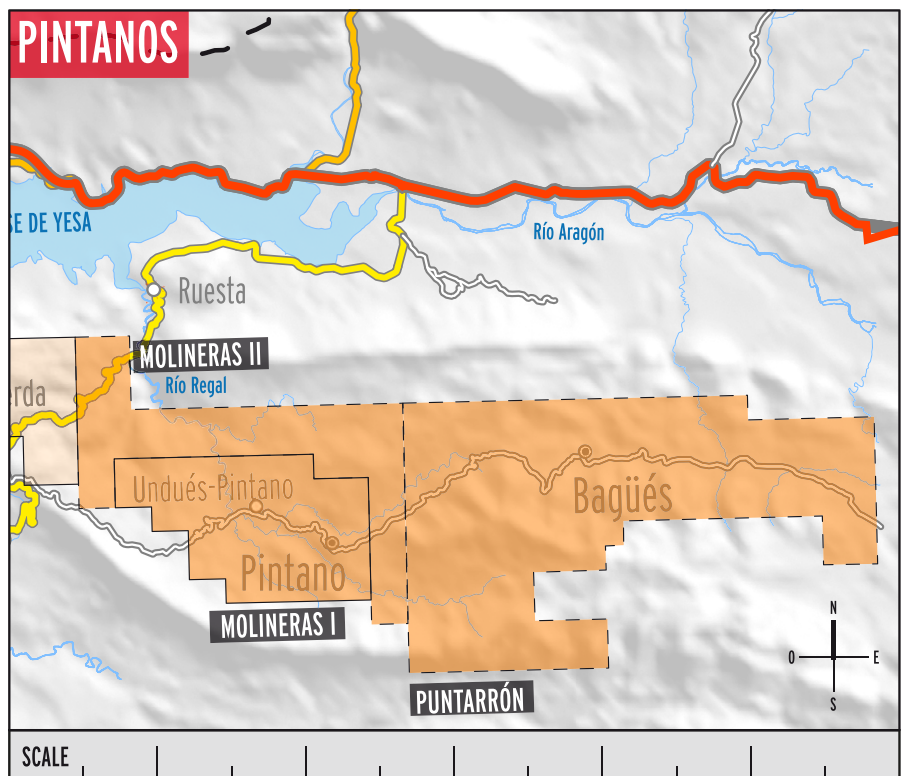
During the third quarter of 2021, Highfield raised A\$15 million via a single-tranche Placement that was oversubscribed and had a strong support from existing and new institutional investors. Following the Placement, the Company also successfully raised A\$3 million through a Share Purchase Plan ("SPP") that was offered to all eligible retail shareholders.



Pintanos Project

Adjacent to the Muga Project, the Pintanos tenement area comprises the three permits of Molineras 1, Molineras 2 and Puntarrón and covers an area of 65km². The drilling permit at Molineras 1 was extended for three years in 2020. The Company re-initiated the application process for the drilling permits at Molineras 2 and Puntarrón in 2019 and currently continues to await the award of the permit.

The current priority for the Company remains the development of the Muga Mine.



LEGEND

NAME Permit name	Licence Granted	National Highways
Project Delimitation	Licence Pending	

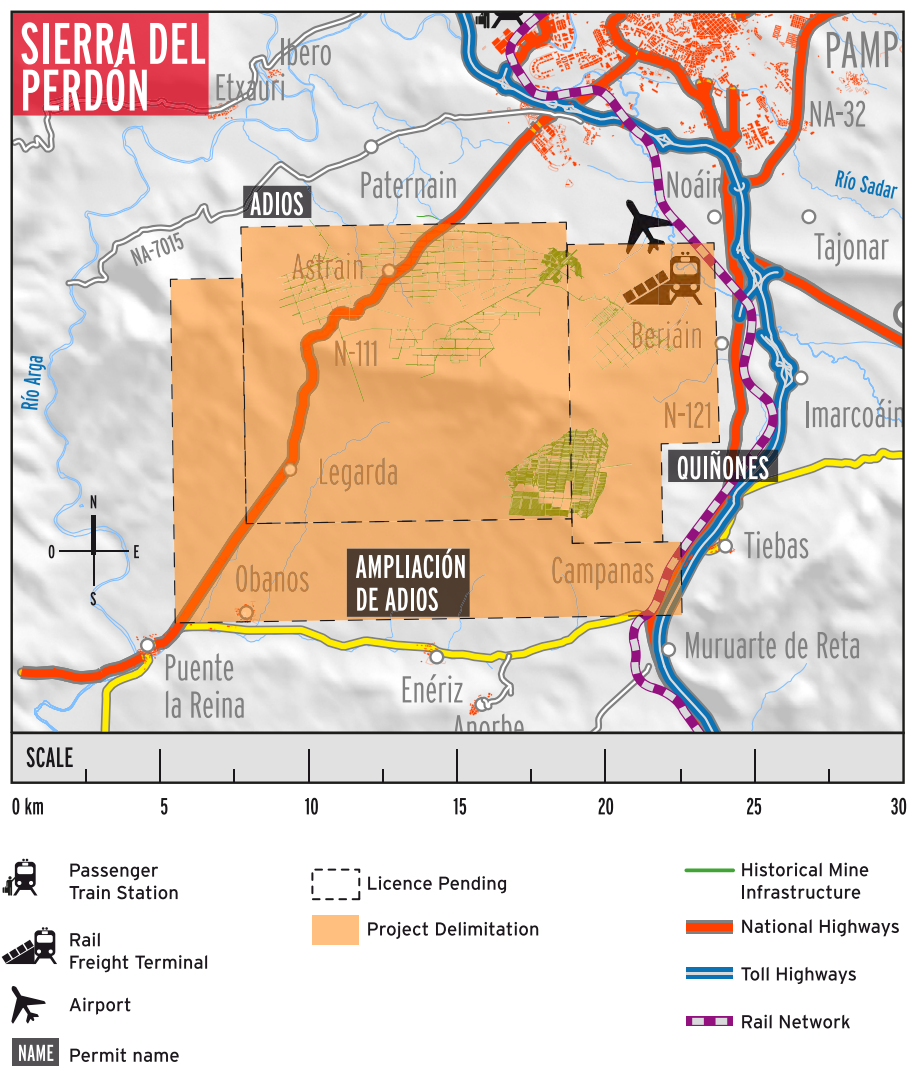


Sierra del Perdón Project

Located southeast of Pamplona, the Sierra del Perdón tenement area ("SdP") covers approximately 120km² and comprises the three permits of Quiñones, Adiós and Ampliación de Adiós. SdP is a brownfield target which previously hosted two potash mines operating from the 1960s until the late 1990s, producing nearly 500,000 tonnes of potash per annum. The Company believes that there is potential for potash 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. Highfield appealed this decision in 2019 and to date has not obtained a resolution. In the fourth quarter of 2020, the second three-year extension application for the Ampliación de Adiós permit had been rejected by the mining department of the Government of Navarra, a decision that was appealed by the Company in the same quarter. Based on local Spanish legal advice, the continued lack of a resolution to these appeals does not represent a significant change with an adverse effect on the entity.

No drilling took place at SdP during 2021.



Geoalcali Foundation

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

Projects

Since its establishment in September 2014 the Geoalcali foundation has provided support to over 170 community projects in close collaboration with town halls, social associations, foundations and other local organisations. The wide range of initiatives supported by the Company are well known and appreciated by the local community, with a number of them having received awards and recognition as sustainable initiatives.

During 2021 and despite the reduction of the number of initiatives due to the adverse effects of the Covid-19 pandemic, the Foundation resumed its activities with the aim of fostering the development of the local community by supporting projects which focus on enhancing the educational quality and boosting sustainability measures in the surrounding communities.



Corporate

Directors

On 28 July 2021, the Company announced that its CEO, Mr. Ignacio Salazar, would join the Board of Highfield Resources Limited as Managing Director with effect from the announcement date.

Non-executive Director, Mr. Isaac Querub, retired and stepped down from the Board on 27 September 2021 after three and a half years of fruitful service to the Company.

Non-executive Director, Mr. Jim Dietz also retired and stepped down from the Board on 18 February 2021 after five years of service during which he helped to consolidate the Company's sales and marketing strategy. He was also a member of the Remuneration Committee.

Incoming Chairman

As reported in the ASX release 16 March 2022, "Chairman Transition", Mr. Paul Harris will join the Board of Highfield Resources Limited as an independent non-executive Director and Chairman with effect from 25 March 2022.

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 2021. Rounding differences may occur.

Muga-Vipasca 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 data in this study was considered to be accurate for the years ended 31 December 2019 and 31 December 2020.

On 23 November 2021 the Company released to the ASX an updated Ore Reserve which included both the Muga and Vipasca projects. The updated Ore Reserve was audited by SRK Consulting UK Ltd as at 31 October 2021. The Company considers this Ore Reserve, presented in terms of plant feed, to be accurate as at 31 December 2021.

Table 1: Muga-Vipasca Ore Reserves Summary

	31 December 2021		31 December 2020		31 December 2019	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Proved	45.3	10.5%	42.9	10.2%	42.9	10.2%
Probable	59.0	10.0%	65.8	10.2%	65.8	10.2%
Total Proved & Probable	104.3	10.2%	108.7	10.2%	108.7	10.2%

Additional notes to consider for the purposes of the Ore Reserves statement are as follows:

- All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material. The Concession is wholly owned by and exploration is operated by Geoalcali S.L.U., the wholly owned Spanish subsidiary of Highfield Resources.
- The standard adopted in respect of the reporting of Ore Reserves for the Project, following the completion of required technical studies, is the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
- SRK reasonably expects the Muga deposit to be amenable to a variety of underground mining methods for the shallow and inclined potash seams. Ore Reserves are reported at an 8% K₂O cut-off which is based on potash price assumptions, metallurgical recovery assumptions from initial testwork, mining costs, processing costs, general and administrative (G&A) costs, and other factors.
- SRK notes that the Reserve Tonnes are reported as wet tonnes with a low moisture content of 0.8%.

Highfield released an updated JORC-compliant Mineral Resource Estimate (“MRE”) to the ASX on 10 October 2018 that was deemed valid for the year ended 31 December 2019.

On 30 March 2021, an updated Mineral Resource Estimate (“MRE”) for the Muga-Vipasca potash Project valid as at 31 August 2020 was released to the ASX. This MRE, which is inclusive of all Ore Reserves shown above in Table 1, is presented below in Table 2 and was also audited by SRK. The Company believes it is accurate and remains valid as at 31 December 2021.

Table 2: Muga-Vipasca Mineral Resources Summary

	31 December 2021		31 December 2020		31 December 2019	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	103.2	12.3%	103.2	12.3%	91.8	12.4%
Indicated	134.1	11.7%	134.1	11.7%	143.0	12.1%
Total Measured & Indicated	237.3	12.0%	237.3	12.0%	234.8	12.3%
Inferred	44.9	10.8%	44.9	10.8%	32.6	12.9%
Total	282.2	11.8%	282.2	11.8%	267.4	12.4%

Additional notes to consider for the purposes of the Mineral Resources statement are as follows:

1. Reported above a cut-off grade of 8% K₂O and a minimum mining thickness (where horizons will be mined separately) of 1.5m.

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 remain accurate as at 31 December 2021.

Table 3: Sierra del Perdón Mineral Resources Summary

	31 December 2021		31 December 2020		31 December 2019	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	-	-	-	-	-	-
Indicated	41.8	10.7%	41.8	10.7%	41.8	10.7%
Total Measured & Indicated	41.8	10.7%	41.8	10.7%	41.8	10.7%
Inferred	40.3	10.5%	40.3	10.5%	40.3	10.5%
Total	82.1	10.6%	82.1	10.6%	82.1	10.6%

Pintanos Project

Highfield released a maiden MRE for the Pintanos Project to the ASX on 20 November 2013. During the year ended 30 June 2017, two drill holes were completed at the Pintanos Project (see the Company's ASX Quarterly Activities Report released on 24 April 2017). The results of both holes were unfavourable compared with the block model which informed the maiden MRE released on 20 November 2013 and therefore adversely impacted the tonnage available to be classified as inferred 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 remains accurate as at 31 December 2021.

Table 4: Pintanos Mineral Resources Summary

	31 December 2021		31 December 2020		31 December 2019	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	-	-	-	-	-	-
Indicated	-	-	-	-	-	-
Total Measured & Indicated	-	-	-	-	-	-
Inferred	70.7	11.9%	70.7	11.9%	70.7	11.9%
Total	70.7	11.9%	70.7	11.9%	70.7	11.9%



Summary

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

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

	31 December 2021		31 December 2020		31 December 2019	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Proved	45.3	10.5%	42.9	10.2%	42.9	10.2%
Probable	59.0	10.0%	65.8	10.2%	65.8	10.2%
Total Proved & Probable	104.3	10.2%	108.7	10.2%	108.7	10.2%

Additional notes to consider for the purposes of the Ore Reserves statement are as follows:

1. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material. The Concession is wholly owned by and exploration is operated by Geocalcali S.L.U., the wholly owned Spanish subsidiary of Highfield Resources.
2. The standard adopted in respect of the reporting of Ore Reserves for the Project, following the completion of required technical studies, is the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
3. SRK reasonably expects the Muga deposit to be amenable to a variety of underground mining methods for the shallow and inclined potash seams. Ore Reserves are reported at an 8% K₂O cut-off which is based on potash price assumptions, metallurgical recovery assumptions from initial testwork, mining costs, processing costs, general and administrative (G&A) costs, and other factors.
4. SRK notes that the Reserve Tonnes are reported as wet tonnes with a low moisture content of 0.8%.

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

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

	31 December 2021		31 December 2020		31 December 2019	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	103.2	12.3%	103.2	12.3%	91.8	12.4%
Indicated	175.9	11.5%	175.9	11.5%	184.8	11.9%
Total Measured & Indicated	279.1	11.8%	279.1	11.8%	276.6	12.0%
Inferred	155.9	11.2%	155.9	11.2%	143.6	11.7%
Total	435.0	11.6%	435.0	11.6%	420.2	11.9%

Corporate Governance – Resources and Reserve Calculations

Due to the nature, stage and size of the Company's existing operations, the Company has historically concluded that there would be insufficient efficiencies or additional governance benefits gained by establishing a separate mineral resources and ore reserves committee responsible for reviewing and monitoring the Company's processes for calculating mineral resources and ore reserves and for ensuring that the appropriate internal controls are applied to such calculations. However, the establishment of such a committee, at an appropriate time, remains under consideration. In the interim, 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. During the 2021 financial year the composition of the Highfield Board of Directors included 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 24,962,030 unissued ordinary shares under options. Refer to note 18 to the consolidated financial statements below for details.

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 year ended 31 December 2021 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
Richard Crookes	9	9	5	5	4	3*
Ignacio Salazar	4	9#	2	5#*	3	4#*
Pauline Carr	9	9	5	5	4	4
Roger Davey	9	9	5	4	4	4
Brian Jamieson	9	9	5	3*	4	4
Isaac Querub (retired 27 September 2021)	6	6	-	-	-	-
Jim Dietz (retired 18 February 2021)	2	2	2	2	-	-

A = number of meetings held during the time the Director held office as a Director or a Committee member.

B = number of meetings attended during the financial year. Note that Directors may attend Committee Meetings without being a member of that Committee.

* Attendance at meeting by invitation.

Additional meetings attended in the capacity of CEO.

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 those recommendations which add value at its present stage as a listed exploration and resources development company.

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

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Highfield with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 102 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 2021. 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

Non-executive Directors

Richard Crookes	Independent Non-Executive Chairman
Pauline Carr	Independent Non-Executive Director
Roger Davey	Independent Non-Executive Director
Brian Jamieson	Non-Executive Director
Isaac Querub	Independent Non-Executive Director (retired 27 September 2021)
Jim Dietz	Independent Non-Executive Director (retired 18 February 2021)

Executives

Ignacio Salazar	CEO and Managing Director
Mike Norris	Chief Financial Officer (resigned 10 December 2021)

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. The policy is set out in a transparent manner and communications and engagement with stakeholders provide clarity around all elements of the policy. 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 an independent Remuneration and Nomination Committee Charter to oversee the Group's remuneration and nomination responsibilities and related governance as well as formulate the Company's remuneration framework and Remuneration Policy.

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

Level	Short Term Incentive	Long Term Incentive ¹
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

¹ 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 for options granted 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 to 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 recommendations from the Committee and consultants.

Review of KMP remuneration

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

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

Components of remuneration of other 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, realistic and measurable objectives that are based on a mix of Corporate and Personal KPI targets that are set to encourage 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 foster 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 Company and individual. Compared with other employees, senior positions have a greater proportion of at-risk remuneration and have a higher proportion of their at-risk remuneration assessed on Company performance KPIs.

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. With the exception of the Chairman NEDs receive a fixed fee remuneration consisting of an annual base Board fee with additional fees for any committee positions they hold. The Chairman received a fixed annual fee with no additional amounts payable for Committee memberships. 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.

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 was 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

With effect from the start of October 2020, the Directors of the Board implemented a reduction in their total remuneration of 25% until the Mining Concession was awarded. In March 2021 this reduction in Directors’ fees was further increased to a 50% reduction to align with the temporary reduction of 50% of all Highfield’s management and staff’s working time and salaries until the Mining Concession was granted. The implementation of such a measure was lifted in July 2021 and the Company opted pay the June 2021 fees in full to recognize the efforts made by the Directors and the staff as a whole that led to the Mining Concession award.

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, environment, social responsibility, permitting, finance and project delivery. In addition, the senior executives also have personal KPIs appropriate to their specific areas of responsibility.

The KPIs for the year ended 31 December 2021 were assessed in accordance with the parameters set out in the Remuneration Policy section above. The STI for the CEO was based on 75% of his fixed cash salary for corporate and strategic KPIs. The STIs for other senior executives were based on a weighting of up to 60% of their fixed cash salary for corporate and strategic KPIs and the remaining percentage for personal KPIs.

Unlike previous years in which the level of achievement of KPIs was assessed as Threshold, Target or Stretch, whereby the KPI weighting was multiplied by 85%, 100% or 115% respectively, KPIs defined for the year ended 31 December 2021 were only assessed as Target.

Summary corporate and strategic KPI performance

For the year ended 31 December 2021 the STI corporate and strategic KPI performance outcomes for KMPs were assessed as follows:

KPI Category	Objective for the year	Weighting for 2021 %	2021 Outcome %
Safety, Health, Environmental and Community	Safety, Health, Environmental and Community	10	10
Permits	Mining Concession and construction licenses awarded	20	10
Financing	Successful debt and equity financing	30	10
Engineering	Design and Engineering readiness	10	10
Construction	Agreement with proposed Major Construction Partner and tendering	15	10
Construction	Construction at project site commenced	15	-
Total		100	50

Short term incentive award

The remuneration of the CEO, Ignacio Salazar for the financial year included cash performance pay in respect of the attainment of corporate and personal STI KPIs set by the Board. The STI awards relate to the achievement of KPIs for the year ended 31 December 2021. The bonus cost was approved by the Board in March 2022 for payment in cash later in 2022, at a date when financing to fund the construction of the Muga Project has been satisfactorily obtained. The cost of the achievements of KPIs for the year ended 31 December 2021 is included as an expense in the financial statements for the year ended 31 December 2021.

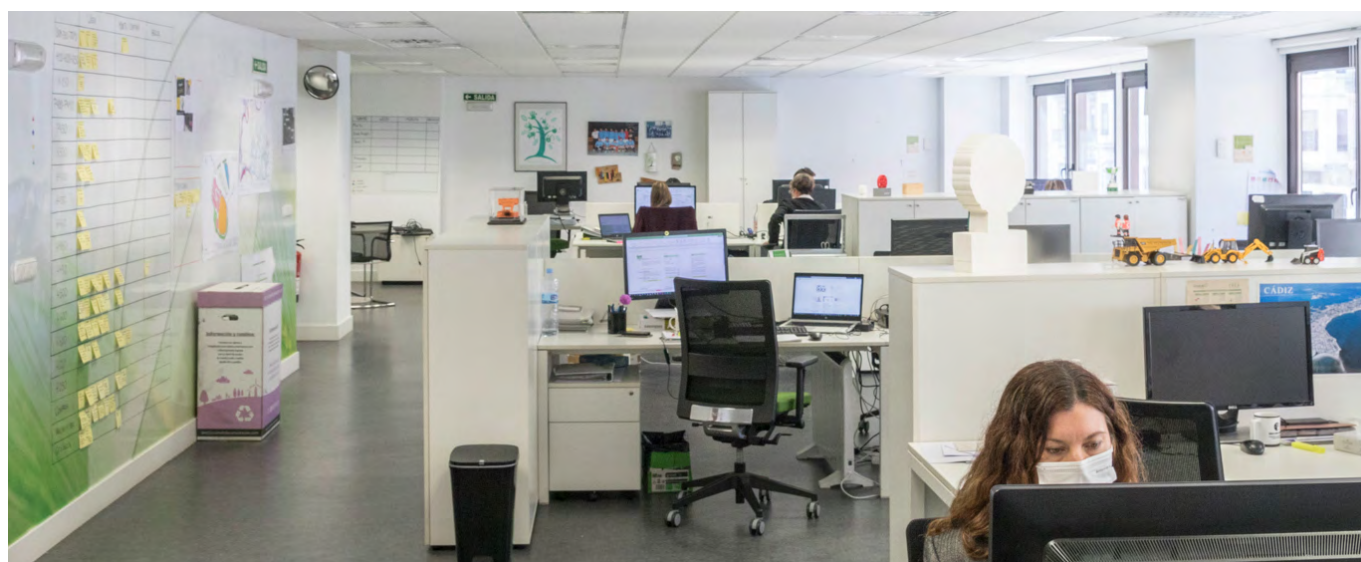
LTI performance and outcomes for 2021

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 for options granted during the year was 25%.

In general, the KMP must also remain employed with the Company at the vesting assessment date of the options.

Feature	Description
Opportunity/allocation	The total value of options granted is based on a percentage of fixed remuneration. This percentage is approximately 75% for the CEO, 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 actual 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 2021 are as below:

Year ended 31 December 2021	Short term			Options and shares	Post-employment	Performance related ⁵		
	Base Salary \$	Fees \$	STI Awards ¹ \$	Other Benefits \$	Share-based Payments ⁴ \$		Super-annuation \$	Total \$
Non-executive Directors								
Richard Crookes	-	100,000	-	-	-	-	100,000	-
Pauline Carr	-	80,000	-	-	-	-	80,000	-
Roger Davey	-	64,101	-	-	-	-	64,101	-
Brian Jamieson	-	52,368	-	-	-	5,145	57,513	-
Isaac Querub (retired 27 September 2021)	-	35,000	-	-	-	-	35,000	-
Jim Dietz (retired 18 February 2021)	-	6,901	-	-	-	-	6,901	-
Executives								
Ignacio Salazar (CEO and MD)	518,356	-	161,545	110,628 ²	86,239	-	876,768	28%
Mike Norris (CFO resigned 10 December 2021)	361,042	-	30,990	373,225 ³	41,778	-	807,035	9%
	879,398	338,370	192,535	483,853	128,017	5,145	2,027,318	16%

¹ The STI awards relate to the achievement of KPIs for the previous year ended 31 December 2020.

With regard to the 2021 STI the bonus cost for Mr. Salazar was approved by the Board in March 2022 for payment in cash later in 2022, at a date when the financing to fund the construction of Muga has been satisfactorily obtained. The cost of the STI award is included as an expense in the financial statements for the year ended 31 December 2021.

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

³ Benefits relate to paid private accommodation and in-country residency allowance while employed and payment of statutory entitlements on cessation of employment.

⁴ Share Based Payments of the Directors include 2.3 million share options granted to Messrs. Salazar and Norris during the year.

⁵ Percentage performance related is the sum of STI awards and Share-based Payments divided by total remuneration, reflecting the actual percentage of remuneration at-risk for the year.



Details of remuneration for the year ended 31 December 2020 are shown below:

Year ended 31 December 2020	Short term			Options and shares		Post-employment		
	Base Salary \$	Fees \$	STI Awards ¹ \$	Other Benefits ² \$	Share-based Payments ³ \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors								
Peter Albert (resigned 31 January 2020)	60,871	-	-	31,371	-	-	92,242	0%
Richard Crookes (acting CEO from 1 February to 20 July 2020)	-	304,355	-	-	71,100	-	375,455	19%
Pauline Carr	-	84,000	-	-	69,600	-	153,600	45%
Roger Davey	-	60,378	-	-	67,911	-	128,289	53%
Brian Jamieson	-	55,137	-	-	67,912	5,238	128,287	53%
Isaac Querub	-	52,500	-	-	67,350	-	119,850	56%
Jim Dietz	-	60,378	-	-	67,911	-	128,289	53%
Executives								
Ignacio Salazar (CEO commenced 20 July 2020)	275,488	-	-	66,343	226,733	-	568,564	31%
Mike Norris	449,087	-	-	176,453	107,294	-	732,834	14%
	785,446	616,748	-	274,167	745,811	5,238	2,427,410	28%

¹ The Directors determined that no STI performance pay for 2020 would be awarded until later in 2021, at a date when the Mining Concession has been satisfactorily obtained.

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

³ 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.



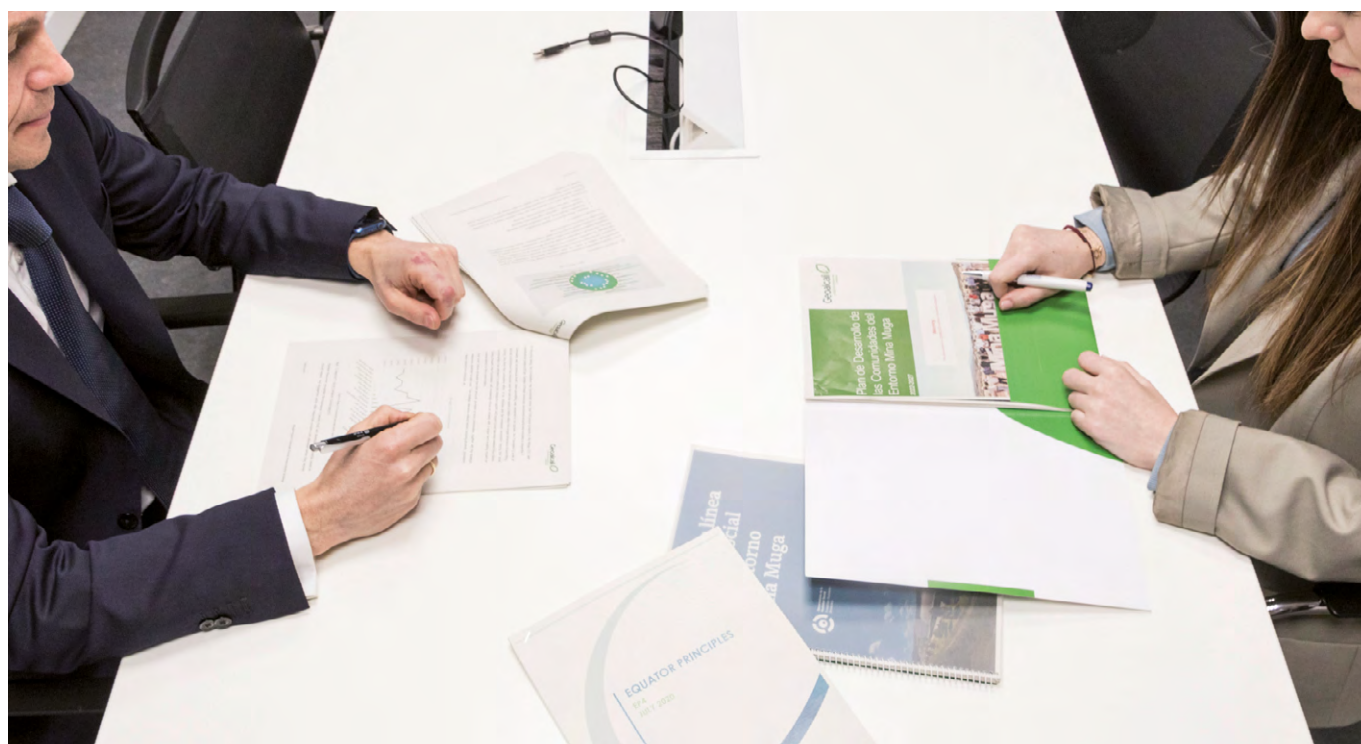
Shareholdings of Directors and other key management personnel

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. Directors acquired 134,614 shares following the Share Purchase Plan (SPP) offered to eligible retail shareholders during the year ended 31 December 2021.

Year ended 31 December 2021	Balance at the start of the period	Share Purchase Plan acquisition	On-market acquisition	Other changes during the period ¹	Balance at the end of the period
Non-executive Directors					
Richard Crookes	17,295	57,692	-	-	74,987
Pauline Carr	42,871	19,230	-	-	62,101
Roger Davey	9,251	-	-	-	9,251
Brian Jamieson	9,251	57,962	-	-	66,943
Isaac Querub (retired 27 September 2021)	8,044	-	-	(8,044)	-
Jim Dietz (retired 18 February 2021)	59,251	-	-	(59,251)	-
Executives					
Ignacio Salazar (CEO and MD)	-	-	126,700	-	126,700
Mike Norris (CFO resigned 10 December 2021)	-	-	-	-	-

¹ The other change during the period represents an adjustment to exclude shares held by Messrs. Querub and Dietz as they were not Directors 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 2021	Balance at the start of the period	Granted as compensation during the period	Expired during the period ¹	Other changes during the period ²	Balance at the end of the period	Exercisable	Not exercisable
Non-executive Directors							
Richard Crookes	2,000,000	-	-	-	2,000,000	2,000,000	-
Pauline Carr	1,000,000	-	-	-	1,000,000	1,000,000	-
Roger Davey	2,000,000	-	(1,000,000)	-	1,000,000	1,000,000	-
Brian Jamieson	2,000,000	-	(1,000,000)	-	1,000,000	1,000,000	-
Isaac Querub (retired 27 September 2021)	2,000,000	-	(1,000,000)	(1,000,000)	-	-	-
Jim Dietz (retired 18 February 2021)	1,000,000	-	-	(1,000,000)	-	-	-
Executives							
Ignacio Salazar (CEO and MD)	1,000,000	1,561,735	-	-	2,561,735	1,258,469	1,303,266
Mike Norris (CFO resigned 10 December 2021)	2,372,564	756,565	-	(3,129,129)	-	-	-

¹ Options expired during the year were granted in June 2018 with an exercise price of \$1.29.

² Other changes during the period represent an adjustment to exclude options held by Messrs. Querub and Dietz as they were not Directors at the end of the period and Mr. Norris as he was not an executive as 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.

Transactions with Directors and other key management personnel

Transactions with Directors and other 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 2021 other than those disclosed above.

Options affecting remuneration

The terms and conditions of options granted during the year ended 31 December 2021 affecting remuneration in the current or future reporting periods are as follows:

	Grant date	Number granted	Expiry date/last exercise date	Fair value per option at grant date	Exercise price per option	Value of options at grant date ¹	Number of options vested	Value vested	Max value yet to vest
Executives									
Ignacio Salazar (CEO and MD)	20/09/21	591,803	31/12/24	\$0.026	\$0.865	\$15,564	591,803	\$15,564	-
	20/09/21	509,961	31/12/25	\$0.052	\$0.865	\$26,518	-	-	\$26,518
	20/09/21	459,971	31/12/26	\$0.096	\$0.865	\$44,157	-	-	\$44,157
Mike Norris (CFO resigned 10 December 2021) ²	20/09/21	286,692	31/12/24	\$0.026	\$0.865	\$7,540	286,692	\$7,540	-
	20/09/21	247,045	31/12/25	\$0.052	\$0.865	\$12,846	247,045	\$12,846	-
	20/09/21	222,828	31/12/26	\$0.096	\$0.865	\$21,392	222,828	\$21,392	-
		2,318,300				\$128,017	1,348,368	\$57,342	\$70,675

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

² Options granted to Mr. Norris will continue to vest in accordance with their scheduled vesting assessment date providing conditions are met to the Board's satisfaction.

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 remuneration, other short term benefits, and participation, where eligible, in the Company's Long Term Incentive 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 and Managing Director

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 2021 Mr. Salazar's total fixed remuneration was €327,604 (A\$518,356).

Chief Financial Officer

Mr. Norris left the Company as CFO on 10 December 2021. Until his departure his total fixed emoluments were €228,108 (A\$361,042). Following a subsequent internal re-structure the CFO role was revisited and the Company's Financial Manager, Mr. Javier Aguado, a Spanish born professional, was promoted to the CFO position. The increased numbers of Spanish born members in the management team reflects the local focus and content of the Muga project. Following the internal reorganisation, a review of KMP was undertaken and in view of AASB 124 and the recent changes to the senior management team it was determined that currently only the Directors of Highfield Resources Limited are considered to be KMP. This position will be subject to re-assessment as the CFO role evolves over time.

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 2021 (year ended 31 December 2020: nil).

Voting and comments made at the Company's may 2021 annual general meeting

Highfield Resources Limited received more than 99.79% of "yes" votes on its remuneration report for the financial year ended 31 December 2020. 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 2021	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Six months ended 31 December 2017
Loss per share (cents)	(1.96)	(7.40)	(2.28)	(1.28)	(0.14)
Share price (at period end)	\$0.90	\$0.69	\$0.68	\$0.64	\$1.03
Share price High for the reporting period	\$0.91	\$0.79	\$1.01	\$1.13	\$1.20
Share price Low for the reporting period	\$0.44	\$0.26	\$0.57	\$0.48	\$0.82

End of Audited Remuneration Report

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



Richard Crookes
Independent Non-Executive Chairman

Adelaide, Australia
23 March 2022



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 2021

	Note	31 December 2021 \$	31 December 2020 \$
Continuing operations			
Gain/(Loss) on foreign exchange		(275,670)	568,899
Listing and share registry expenses		(175,772)	(69,028)
Professional and consultants' fees	3	(990,191)	(501,834)
Director and employee costs		(3,277,015)	(2,668,872)
Share-based payments expense	18	(696,315)	(1,875,964)
Travel and accommodation		(1,139)	(39,321)
Donations		(24,269)	(134,000)
Depreciation	9	(28,070)	(37,313)
Impairment of deferred exploration and evaluation expenditure	10	-	(18,721,810)
Other expenses	19	(1,188,206)	(898,622)
Interest paid	20	(42,932)	(12,853)
Loss before income tax		(6,699,579)	(24,390,718)
Income tax expense	5	-	-
Net loss for the period		(6,699,579)	(24,390,718)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(1,674,105)	(1,641,824)
Other comprehensive loss for the period net of tax		(1,674,105)	(1,641,824)
Total comprehensive loss for the period		(8,373,684)	(26,032,542)
Loss per share			
Basic and diluted loss per share (cents)	6	(1.96)	(7.40)

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 2021

	Note	31 December 2021 \$	31 December 2020 \$
Current Assets			
Cash and cash equivalents	7	22,241,425	20,202,057
Other receivables	8	256,384	292,116
Total Current Assets		22,497,809	20,494,173
Non-Current Assets			
Other receivables	8	553,700	490,692
Property, plant and equipment	9	60,499	89,857
Deferred exploration and evaluation expenditure	10	118,384,403	112,296,472
Total Non-Current Assets		118,998,602	112,877,021
Total Assets		141,496,411	133,371,194
Current Liabilities			
Trade and other payables	11	2,955,681	4,514,595
Total Current Liabilities		2,955,681	4,514,595
Total Liabilities		2,955,681	4,514,595
Net Assets		138,540,730	128,856,599
Equity			
Issued capital	12	190,014,905	172,653,405
Reserves	13	28,386,571	29,364,361
Accumulated losses	14	(79,860,746)	(73,161,167)
Total Equity		138,540,730	128,856,599

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 2021

Year ended 31 December 2020	Issued capital \$	Accumulated losses \$	Share-based payments reserve \$	Foreign exchange translation reserve \$	Option premium reserve \$	Total \$
Balance at 1 January 2020	172,618,930	(48,770,449)	23,345,124	5,784,097	1,000	152,978,702
Total comprehensive loss for the period						
Loss for the period	-	(24,390,718)	-	-	-	(24,390,718)
Other comprehensive loss - foreign currency translation	-	-	-	(1,641,824)	-	(1,641,824)
Total comprehensive loss for the period	-	(24,390,718)	-	(1,641,824)	-	(26,032,542)
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
Share-based payment	34,475	-	1,875,964	-	-	1,910,439
Balance at 31 December 2020	172,653,405	(73,161,167)	25,221,088	4,142,273	1,000	128,856,599
Year ended 31 December 2021						
Balance at 1 January 2021	172,653,405	(73,161,167)	25,221,088	4,142,273	1,000	128,856,599
Total comprehensive loss for the period						
Loss for the period	-	(6,699,579)	-	-	-	(6,699,579)
Other comprehensive loss - foreign currency translation	-	-	-	(1,674,105)	-	(1,674,105)
Total comprehensive loss for the period	-	(6,699,579)	-	(1,674,105)	-	(8,373,684)
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Issue of securities	18,111,500	-	-	-	-	18,111,500
Cost of issue	(750,000)	-	-	-	-	(750,000)
Share-based payment	-	-	696,315	-	-	696,315
Balance at 31 December 2021	190,014,905	(79,860,746)	25,917,403	2,468,168	1,000	138,540,730

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 2021

	Note	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(5,411,685)	(5,438,297)
Interest paid		(35,703)	(12,859)
Other receipts including GST/VAT received		1,103,774	2,266,039
Net cash used in operating activities	7	(4,343,614)	(3,185,117)
Cash flows from investing activities			
Purchase of plant and equipment		(2,226)	(12,722)
Payments for exploration and evaluation expenditure		(10,699,099)	(17,156,788)
Net cash used in investing activities		(10,701,325)	(17,169,510)
Cash flows from financing activities			
Proceeds from issue of securities		18,111,500	-
Payments for share issue costs		(825,000)	-
Net cash provided by financing activities		17,286,500	-
Net decrease in cash and cash equivalents		2,241,561	(20,354,627)
Cash and cash equivalents at the beginning of the period		20,202,057	39,980,018
Effect of exchange rate fluctuations on cash		(202,193)	576,666
Cash and cash equivalents at the end of the period	7	22,241,425	20,202,057

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 2021

1. Corporate information

The financial report of Highfield Resources Limited (“Highfield Resources”, “Highfield” or “the Company”) for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 22 March 2022.

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 been prepared on a historical cost basis. The presentation currency is Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

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 2021 and at 31 December 2020 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 between the tax bases of assets and liabilities and their carrying amounts in the financial statements, 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 2021 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 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Expenses

	31 December 2021 \$	31 December 2020 \$
Professional and consultants' fees		
Corporate advisory fees	(206,517)	(363,567)
Legal fees	(24,033)	(43,760)
Due diligence fees	(680,303)	-
Other	(79,338)	(94,507)
	(990,191)	(501,834)

4. Auditor's remuneration

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

	31 December 2021 \$	31 December 2020 \$
Amounts received or due and receivable by the parent auditor for:		
- an audit or review of the financial report	53,550	58,386
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	29,028	29,446
	82,578	87,832

5. Income tax

a) Income tax expense

	31 December 2021 \$	31 December 2020 \$
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:

	31 December 2021 \$	31 December 2020 \$
Loss from continuing operations before income tax expense	(6,699,579)	(24,390,718)
Tax calculated at domestic tax rates applicable to profit/(losses) in the respective countries (Spain 28.0%, Australia 30.0%)	(1,927,176)	(7,264,637)
Non-deductible expenses	7,475	179,915
Net income tax benefit not brought to account	1,919,701	7,084,722
Income tax expense	-	-

c) Deferred tax

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

	31 December 2021 \$	31 December 2020 \$
Net deferred tax asset not recognised	16,125,105	14,207,701

d) Unused tax losses

	31 December 2021 \$	31 December 2020 \$
Unused tax losses	38,592,124	30,734,747

The benefit for tax losses will only be obtained if:

- i) the Company delivers 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 there are
- iii) no changes in tax legislation which adversely affect the Company in realising the benefit from the deductions for the losses.

6. Loss per share

	31 December 2021 \$	31 December 2020 \$
Loss used in calculating basic and diluted EPS	(6,699,579)	(24,390,718)
Number of Shares		
Weighted average number of ordinary shares used in calculating basic loss per share	342,533,288	329,539,585
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	342,533,288	329,539,585
Basic and diluted loss per share (cents)	(1.96)	(7.40)

The 24,962,030 options outstanding at 31 December 2021 (31 December 2020: 22,820,330) are deemed non-dilutive in accordance with AASB 2 as they reduce the loss per share. 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

	31 December 2021 \$	31 December 2020 \$
Reconciliation of cash		
Cash at bank	22,241,425	20,202,057
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(6,699,579)	(24,390,718)
Non-cash and non-operating items in operating loss after tax:		
Share-based payments	696,315	1,875,964
Net loss/(gain) on foreign exchange	275,670	(568,899)
Impairment of deferred exploration and evaluation expenditure	-	18,721,810
Depreciation	28,070	37,313
Accrued interests not paid	7,229	-
Change in assets and liabilities		
(Increase)/Decrease in trade and other receivables	358,999	1,509,534
(Decrease)/Increase in trade and other payables	989,682	(370,121)
Net cash used in operating activities	(4,343,614)	(3,185,117)

8. Other receivables

	31 December 2021 \$	31 December 2020 \$
Current		
GST receivable	72,758	41,642
VAT receivable	159,806	210,237
Deposits	23,820	40,237
	256,384	292,116
Non-current		
Guarantees	553,700	490,692
	553,700	490,692

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

	31 December 2021 \$	31 December 2020 \$
Cost	651,578	663,294
Accumulated depreciation and impairment	(591,079)	(573,437)
Net carrying amount	60,499	89,857
Movements in Property, Plant and Equipment		
Opening balance	89,857	116,726
Additions	-	10,273
Net exchange differences on translation	(1,288)	171
Depreciation charge for the period	(28,070)	(37,313)
Closing balance	60,499	89,857

10. Deferred exploration and evaluation expenditure

	31 December 2021 \$	31 December 2020 \$
Exploration and Evaluation expenditure - at cost		
Opening balance	112,296,472	116,966,324
Exploration and evaluation expenditure incurred during the period	8,018,643	15,480,973
Net exchange differences on translation	(1,930,712)	(1,429,015)
Impairments	-	(18,721,810)
Closing balance	118,384,403	112,296,472

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 and to date has not obtained a resolution. 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 these 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 in June 2020, the award of the permits at Molineras 2 and Puntarrón remains outstanding, more than seven 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 was recorded at the 2020 half year in relation to the Sierra del Perdón and Pintanos areas of interest, representing expenses previously deferred in relation to this project.

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

	31 December 2021 \$	31 December 2020 \$
Trade payables	1,440,357	1,129,613
Other payables	27,152	26,919
Accruals	1,488,172	3,358,063
	2,955,681	4,514,595

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

12. Issued capital

a) Issued and paid up capital

	31 December 2021 \$	31 December 2020 \$
Issued and fully paid	190,014,905	172,653,405

b) Movements in ordinary shares on issue

	31 December 2021		31 December 2020	
	Number of shares	\$	Number of shares	\$
Opening balance	329,600,171	172,653,405	329,525,003	172,618,930
Shares issued ¹	34,829,716	18,111,500	75,168	34,475
Transaction costs on share issue	-	(750,000)	-	-
	364,429,887	190,014,905	329,600,171	172,653,405

¹ December 2021

— 34,829,716 ordinary shares were issued during the year ended 31 December 2021 via a single-tranche placement (A\$15m) carried out in August 2021 and a subsequent Share Purchase Plan in September (A\$3m) that was offered to all eligible retail shareholders.

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.

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 \$138,540,730 at 31 December 2021. 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.

13. Reserves

	31 December 2021 \$	31 December 2020 \$
Share-based payments reserve	25,917,403	25,221,088
Foreign exchange translation reserve	2,468,168	4,142,273
Option premium reserve	1,000	1,000
	28,386,571	29,364,361
Movements in reserves		
Share-based payments reserve		
Opening balance	25,221,088	23,345,124
Share-based payments expense	696,315	1,875,964
Closing balance	25,917,403	25,221,088

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 2021.

Foreign exchange translation reserve		
Opening balance	4,142,273	5,784,097
Foreign exchange translation difference	(1,674,105)	(1,641,824)
Closing balance	2,468,168	4,142,273

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

Option premium reserve		
Opening balance	1,000	1,000
Issue of unlisted options	-	-
Closing balance	1,000	1,000

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

14. Accumulated losses

	31 December 2021 \$	31 December 2020 \$
Movements in accumulated losses were as follows		
Opening balance	(73,161,167)	(48,770,449)
Loss for the period	(6,699,579)	(24,390,718)
Closing balance	(79,860,746)	(73,161,167)

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:

	31 December 2021 \$	31 December 2020 \$
Short term employee benefits	1,894,156	1,676,361
Share-based payments	128,017	745,811
Post-employment	5,145	5,238
Total	2,027,318	2,427,410

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 2021	31 December 2020
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 not be able to meet its financial obligations as they fall due. 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. At 31 December 2021, the Company has sufficient liquid assets to meet its financial obligations. 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 2021, the variable interest rate exposure of the Group was:

	31 December 2021	31 December 2020
Interest bearing financial instrument		
Cash at bank or at hand	22,241,425	20,202,057

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 2021 no interest was earned and \$42,932 was charged on Euro balances, reflecting the fact that interest rates on Euro balances are negative. Similarly, in 2020 no interest was earned and interest charged on Euro balances was \$12,853.

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 0.45%.

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 (decreased) profit and 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 2020.

	Effect on Post Tax Loss (\$) (Increase)/decrease		Effect on Equity incl. accumulated losses (\$) Increase/(decrease)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Increase 75 basis points	166,811	151,515	166,811	151,515
Decrease 75 basis points	(166,811)	(151,515)	(166,811)	(151,515)

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 2021, 99.9% of the Company's cash and cash equivalents were held in financial institutions with a rating from Standard & Poors of A - or above (long term). The Company had no past due or impaired debtors as at 31 December 2021.

d) Foreign Currency Risk

The Company undertakes certain transactions denominated in currencies other than the functional currency of the Company, 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 2021	31 December 2020	31 December 2021	31 December 2020
Euro	2,667,090	4,377,015	5,277,780	20,047,095
US dollars	-	-	13,448	12,697
GB pounds	65,219	17,449	-	-
Total	2,732,309	4,394,464	5,291,228	20,059,792

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 (\$)
31 December 2021		
Profit or loss	284,323	(232,630)
Other equity	284,323	(232,630)
31 December 2020		
Profit or loss	1,740,593	(1,424,120)
Other equity	1,740,593	(1,424,120)

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 2021 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 2021 \$	31 December 2020 \$
Options granted during the period	117,199	767,961
Options granted in prior periods	579,116	1,108,003
	696,315	1,875,964

The Company operates an equity incentive plan known as 'Highfield Resources Limited Employee Long Term Incentive Plan' ("ELTIP"). Subject to the attainment of 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 employee. 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 2021:

Grant Date	Expiry date	Exercise price	Number at start of the period	Granted during the period	Exercised during the period	Cancelled during the period	Number at end of the period	Exercisable at end of the period
20/09/2021	31/12/2024	\$0.865	-	1,356,588 ¹	-	-	1,356,588	1,356,588
20/09/2021	31/12/2024	\$0.865	-	591,803 ²	-	-	591,803	591,803
20/09/2021	31/12/2025	\$0.865	-	1,168,984 ³	-	-	1,168,984	-
20/09/2021	31/12/2025	\$0.865	-	509,961 ⁴	-	-	509,961	-
20/09/2021	31/12/2026	\$0.865	-	1,054,393 ⁵	-	-	1,054,393	-
20/09/2021	31/12/2026	\$0.865	-	459,971 ⁶	-	-	459,971	-
				5,141,700	-	-	5,141,700	1,948,391

¹ Options granted to the former Chief Financial Officer and other employees. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2021 or meeting the good leaver requirement as determined by the Board.

² Options granted to the Chief Executive Officer. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2021.

³ Options granted to the former Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2022 or meeting the good leaver requirement as determined by the Board.

⁴ Options granted to the Chief Executive Officer. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2022.

⁵ Options granted to the former Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2023 or meeting the good leaver requirement as determined by the Board.

⁶ Options granted to the Chief Executive Officer. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2023.

The model inputs for options granted during the year ended 31 December 2021 included:

- a) options were granted for no consideration;
- b) expected lives of the options range from 3.2 to 5.2 years;
- c) share price at grant date of \$0.49;
- d) expected volatility at 62.0%;
- e) expected dividend yield of Nil; and
- f) a risk free interest rate at 0.19%.

The table below summarises options granted during the year ended 31 December 2020:

Grant Date	Expiry date	Exercise price	Number at start of the period	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 ¹	-	-	6,000,000	6,000,000
25/06/2020	30/06/2023	\$0.81	-	1,000,000 ²	-	-	1,000,000	1,000,000
25/06/2020	31/12/2023	\$0.81	-	1,546,855 ³	-	-	1,546,855	1,546,855
15/09/2020	31/12/2023	\$0.47	-	333,333 ⁴	-	-	333,333	333,333
25/06/2020	31/12/2024	\$0.81	-	1,368,757 ⁵	-	-	1,368,757	-
15/09/2020	31/12/2024	\$0.47	-	333,333 ⁶	-	-	333,333	-
25/06/2020	31/12/2025	\$0.81	-	1,243,186 ⁷	-	-	1,243,186	-
15/09/2020	31/12/2025	\$0.47	-	333,334 ⁸	-	-	333,334	-
				12,158,798	-	-	12,158,798	8,880,188

¹ 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.

² 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.

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

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

⁵ Options granted to the then Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2021 or meeting the good leaver requirement as determined by the Board.

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

⁷ Options granted to the then Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2022 or meeting the good leaver requirement as determined by the Board.

⁸ 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%.

As at the date of this report there were 24,962,030 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
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
1,948,391	\$0.865	31 December 2024
1,243,186	\$0.81	31 December 2025
333,334	\$0.47	31 December 2025
1,678,945	\$0.865	31 December 2025
1,514,364	\$0.865	31 December 2026
24,962,030		

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:

- 1,948,391 options with an exercise price of \$0.865, expiring on 31 December 2024
- 1,678,945 options with an exercise price of \$0.865, expiring on 31 December 2025
- 1,514,364 options with an exercise price of \$0.865, expiring on 31 December 2026

The following options lapsed during the financial year:

- 3,000,000 options with an exercise price of \$1.29, expiring on 30 June 2021

No options were cancelled during the financial year.

The movement of the options during the year was as follows:

	31 December 2021		31 December 2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Opening balance	\$0.91	22,820,330	\$1.19	22,836,150
Granted	\$0.865	5,141,700	\$0.78	12,158,798
Exercised	-	-	-	-
Cancelled	-	-	-	-
Lapsed	\$1.29	(3,000,000)	\$1.31	(12,174,618)
	\$0.855	24,962,030	\$0.91	22,820,330
Vested and exercisable at year end	\$0.81	20,192,201	\$0.81	17,919,529

19. Other expenses

	31 December 2021 \$	31 December 2020 \$
Advertising and Promotion	68,810	69,263
Computer and Software Expenses	59,156	62,785
Subscriptions and Memberships	59,271	62,770
Investor Relations	145,646	51,849
Projects costs	9,012	53,981
Insurances	650,473	377,085
Rents	179,851	157,291
Other administration expenses	15,987	63,598
	1,188,206	898,622

20. Geographic segment analysis

a) Net interest (paid)/received

	31 December 2021 \$	31 December 2020 \$
Australia	-	-
Spain	(42,932)	(12,853)
	(42,932)	(12,853)

b) Non-current Assets

	31 December 2021 \$	31 December 2020 \$
Australia	-	-
Spain	118,998,602	112,877,021
	118,998,602	112,877,021

21. Significant events after the reporting period

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

22. Contingent assets and liabilities

There are no known contingent assets or liabilities as at 31 December 2021 (December 2020: Nil).

23. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2021 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 2021.

24. Geoalcali Foundation

As part of its Community Engagement Program, the Company established a not-for-profit Spanish foundation called the Geoalcali Foundation ("Foundation"). The Foundation is supported exclusively by Geoalcali and since its inauguration in September 2014 has been involved in over 170 community projects.

25. Commitments

At 31 December 2021, 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 2021 amounted to approximately \$92.8m. Of this amount approximately \$85.1m 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.

26. Parent entity information

The following information relates to the parent entity, Highfield Resources Limited, at 31 December 2021 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 2021 \$	31 December 2020 \$
Current assets	21,853,406	19,642,972
Total assets	138,651,058	128,358,389
Current liabilities	(223,371)	(120,131)
Total liabilities	(223,371)	(120,131)
Net assets	138,427,687	128,238,258
Issued capital	190,014,906	172,653,405
Reserves	25,918,403	25,222,089
Accumulated losses	(77,505,622)	(69,637,236)
Total Equity	138,427,687	128,238,258
Loss of the parent entity	(7,868,386)	(26,416,041)
Other comprehensive income for the period	-	-
Total comprehensive loss of the parent entity	(7,868,386)	(26,416,041)

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 2021 are in accordance with the Corporations Act 2001, including:
 - i) complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial year ended on that date, and
- b) 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
- c) 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 2021.

On behalf of the Board



Richard Crookes
Independent Non-Executive Chairman

Adelaide, Australia
23 March 2022

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Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Highfield Resources Limited for the year ended 31 December 2021, 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 'Julian McCarthy', is written over a horizontal line.

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
23 March 2022

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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

Our opinion

In our opinion:

The accompanying financial report of Highfield Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 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 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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	Audit scope
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Group audit is planned and led by our Group audit team in Australia. Given the Group's principal operating entity Geocalci 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
<p>Carrying value of exploration and evaluation assets (Refer to note 10) \$118,384,403</p> <p>The Group accounts for exploration and evaluation activities in accordance with the policy in note 2(f) of the financial report</p> <p>Judgement is required by the Group to determine whether there were indicators of impairment of the exploration and evaluation assets, due to the need to make estimates about future events and circumstances, such as whether the resources may be economically viable to develop in the future.</p> <p>The carrying value of exploration and evaluation assets was considered a key audit matter given the financial significance of the balance and the significant judgements required by the Group in determining the carrying amount as outlined above.</p>	<p>We performed the following procedures amongst others :</p> <ul style="list-style-type: none">• Evaluated the Group's assessment that there had been no indicators of impairment on areas capitalised at 31 December 2021 during the period with reference to the requirements of Australian Accounting Standards.• Considered the latest available information regarding the projects through inquiries of management and the directors, 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.



Key audit matter

How our audit addressed the key audit matter

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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

Our opinion on the remuneration report

We have audited the remuneration report included in pages 57 to 69 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of Highfield Resources Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PRICEWATERHOUSE COOPERS

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'J McCarthy', written over a horizontal line.

Julian McCarthy
Partner

Adelaide
23 March 2022



ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 10 March 2022.

Distribution of share holders

Ordinary Shares		
	Number of Holders	Number of Shares
1 - 1,000	280	133,997
1,001 - 5,000	653	1,885,189
5,001 - 10,000	512	4,179,830
10,001 - 100,000	1,048	37,662,681
100,001- and over	284	320,568,190
TOTAL	2,777	364,429,887

There were 136 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	%
BNP PARIBAS NOMINEES PTY LTD	120,911,299	33.18
BCI MINERALS LTD	26,349,498	7.23
WWB INVESTMENTS PTY LTD	20,170,740	5.53
MR. WARREN WILLIAM BROWN + MRS. MARILYN HELENA BROWN	14,869,260	4.08
DEREK CARTER + CARLSA CARTER <SALAMANCA SUPER FUND>	7,721,504	2.12
CITICORP NOMINEES PTY LTD	3,903,052	1.07
MR. DANIEL EDDINGTON + MRS. JULIE EDDINGTON	3,870,000	1.06
MR. CRAIG PETER BALL	3,292,384	0.90
BRING ON RETIREMENT LTD	3,170,000	0.87
CELTIC CAPITAL PTE LTD	3,000,000	0.82
MR. BENJAMIN JOHN HAAN <THE HAAN FAMILY A/C>	2,900,231	0.80
MR. MICHAEL ANDREW WHITING + MRS. TRACEY ANNE WHITING <WHITING FAMILY S/F A/C>	2,715,718	0.75
JONERIC PTY LTD	2,701,076	0.74
MR. PETER DAVID FERGUSON PTY LTD	2,674,692	0.73
DARRELL JAMES HOLDINGS PTY LTD	2,500,000	0.69
MR. ANDREW BYRNES DOBLE	2,350,000	0.64
WOOTOONA INVESTMENTS PTY	2,150,538	0.59
CARINYA INVESTMENTS (QLD)	2,127,692	0.58
CRX INVESTMENTS PTY LTD	2,000,000	0.55
KANBAH PTY LTD	2,000,000	0.55
	231,377,684	63.49

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 2022.

Title of class	Registered holder of securities	Identity of person or Group	Date of last notice	Number owned	Percentage of total voting rights ²
Ordinary Shares	BNP Paribas Nominees Pty. Limited	EMR Capital Investment (No. 2) Pte Ltd ¹	15/05/2015	104,038,875	28.55%
Ordinary Shares	Various holders	WWB Investments Pty Ltd ¹	08/11/2017	35,040,000	9.62%
Ordinary Shares	BCI Minerals Ltd	Seven Group Holdings (SGH) Ltd ¹	18/11/2021	26,349,498	7.23%

¹ Being the group listed and its associated entities.

² The percentages quoted are based on the total voting rights conferred by ordinary shares in the Company as at 10 March 2022 of 364,429,887.

Substantial unlisted options

Class	Number	Holders with more than 20%
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 \$0.47 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;
Options over ordinary shares exercisable at \$0.865 on or before 31 December 2024	1,948,391	Ignacio Salazar 591,803 options;
Options over ordinary shares exercisable at \$0.865 on or before 31 December 2025	1,678,945	Ignacio Salazar 509,961 options;
Options over ordinary shares exercisable at \$0.865 on or before 31 December 2026	1,514,364	Ignacio Salazar 459,971 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 2021.

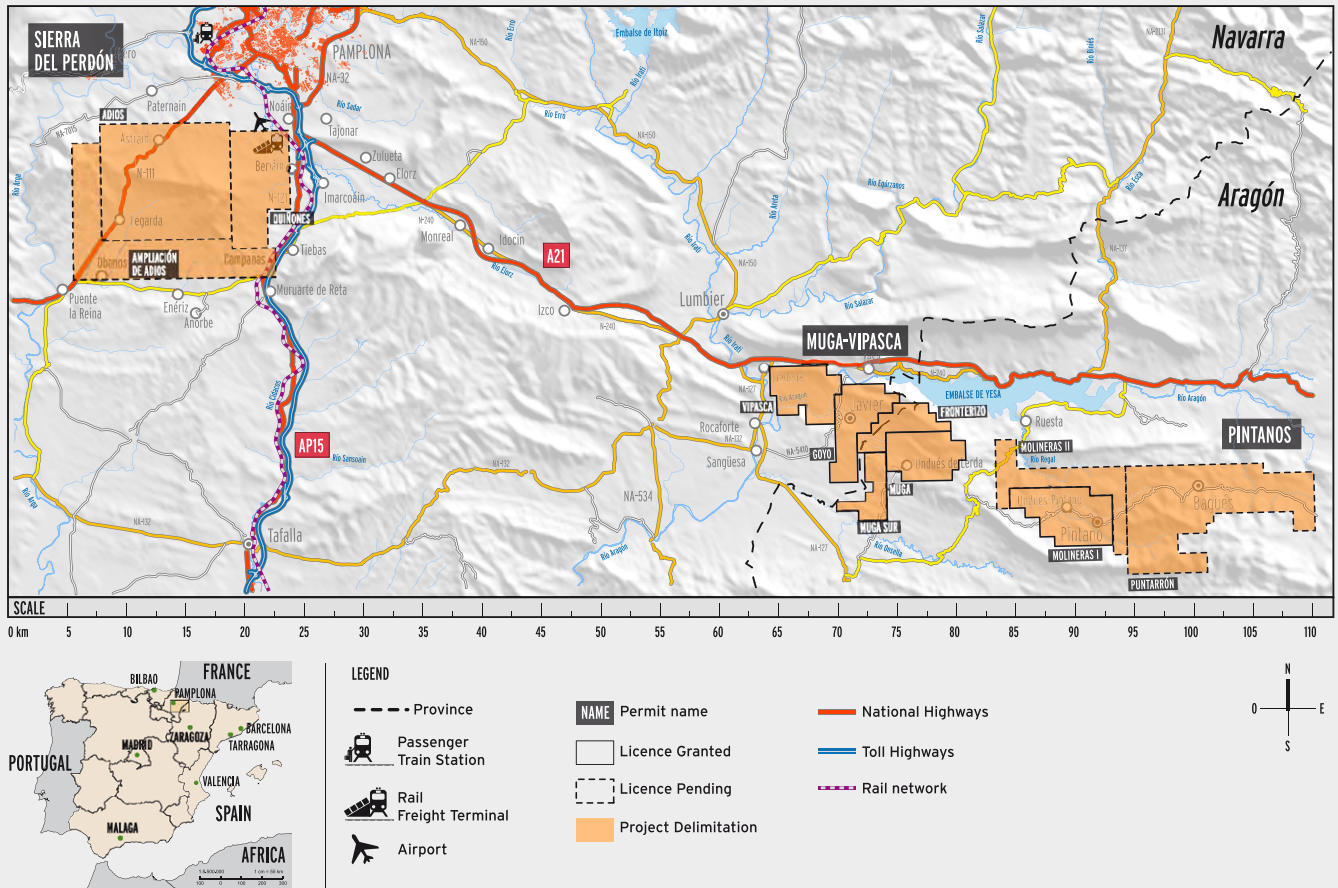
Schedule of tenements

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

Project	Region	Permit Name	Permit Type	Applied	Granted	Ref#	Area Km ²	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	Application in process	35760	22.88	Geoalcali SLU	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	Application in process	35770	59.40	Geoalcali SLU	100%
Sierra del Perdón	Navarra	Ampliación de Adiós	Investigation	26/10/2012	Application in process	35880	40.90	Geoalcali SLU	100%
							123.18		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	14.10	Geoalcali SLU	100%
							14.10		
Muga	Navarra	Goyo (area under concession progress)	Investigation	19/07/2011	24/12/2012	35780	15.30	Geoalcali SLU	100%
Muga	Aragón	Fronterizo (area under concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	9.00	Geoalcali SLU	100%
Muga	Aragón	Muga (area under concession progress)	Investigation	29/05/2013	07/04/2014	3500	14.40	Geoalcali SLU	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	30/06/2020	3524	7.28	Geoalcali SLU	100%
							45.98		
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%
							65.24		
Total							248.50		



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 and Managing Director of Highfield Resources. The information in this report that relates to Ore Reserves is based on information prepared by Dr. Mike Armitage, the Chairman of SRK Consulting (UK) Limited. Dr. Mike Armitage is the Competent Person who assumes overall professional responsibility for the Compliance Opinion. Mr. Chris Bray BEng, Mining Principal Consultant at SRK Consulting (UK), is taking responsibility for the review of the Life of Mine (LOM) plan, as reported by the Company. 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.

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.

Mr. Chris Bray is a member of and a Chartered Professional in the Australasian Institute of Mining and Metallurgy. He is a Mining Engineer with 24 years' experience in the mining and metals industry, including operational experience in underground mines as well as mine planning and review experience on underground potash, salt, lithium and borate projects, and as such qualifies as a Competent Person as defined in the JORC Code. He has also been involved in the reporting of Ore Reserves on various properties internationally for over 10 years. Mr. Chris Bray 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. Ms. Fardell is a member of the Australian Institute for Geoscientists and has 14 years' experience in the mining and metals industry and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. 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-Vipasca Potash Project

The Review of Operations contained within this annual report was prepared by Mr. Ignacio Salazar, CEO and Managing Director of Highfield Resources. The information in this report that relates to Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Mr. José Antonio Zuazo Osinaga, Technical Director of CRN, S.A.; and Mr. Manuel Jesús Gonzalez Roldan, Geologist of CRN, S.A.

Mr. José Antonio Zuazo Osinaga is a licensed professional geologist in Spain and is a registered member of the European Federation of Geologists, an accredited organisation to which Competent Persons (CP) under JORC 2012 Code Reporting Standards must belong in order to report Exploration Results, Mineral Resources, Ore Reserves or Exploration Targets through the ASX.

Mr. José Antonio Zuazo Osinaga has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as CP as defined in the 2012 edition of the JORC Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves.

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



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