

ASX Release  
28 September 2016

## REDUCTION IN PERFORMANCE SHARE RESERVE BALANCE IN COMPANY ACCOUNTS

Spanish potash developer Highfield Resources Limited (ASX: HFR) (“Highfield” or “the Company”) hereby gives notification of the decision of its Board to record an adjustment in the Company’s accounts for the year ended 30 June 2016 reducing the Performance Share Reserve balance by A\$11.5 million to nil. This balance is associated entirely with the remaining 50 million Performance B Shares (“B Shares”). The decision, made by the non-conflicted members of the Board of Directors (“Non-Conflicted Directors”) at a meeting of the Board, has been implemented as a matter of course during the preparation of the Company’s 2016 annual accounts which will be lodged with the ASX on or before 30 September 2016. This adjustment will result in a corresponding reduction in Deferred Exploration and Evaluation Expenditure.

The B Shares, which convert into 50 million ordinary shares if the vesting condition is satisfied, were issued as part of the consideration for Highfield’s acquisition of its Spanish assets in 2012, which included the Muga Potash Project (“Muga”). The vesting condition attaching to the B Shares requires that, by 18 October 2017 (“the Final Vesting Date”) (being five years after the date of issue of the B Shares), the Company be in:

***“receipt, to the reasonable satisfaction of Highfield of all referral approvals required to construct and operate a 500,000 tonne per annum potash mine on the Project (including all required Government approvals, water and energy contracts necessary to operate the mine)”.***

The Non-Conflicted Directors have based their decision on legal advice from Australian counsel of two separate, globally recognised, tier 1 law firms. It is the unanimous view of the Non-Conflicted Directors that the requirement for receipt of all approvals required to enter operations – a number of which are typically only received upon completion of construction – is unlikely to be satisfied by the Final Vesting Date due to the expected two-year construction timeline at Muga.

Although there remains a possibility of the vesting condition being met, the Non-Conflicted Directors believe there is a greater than 50% probability that it will not be met, thus supporting the decision to adjust the Company’s accounts in accordance with AASB2 Share Based Payment. If, as expected, the vesting condition is not met by the Final Vesting Date, the B Shares will be redeemed by the Company for A\$0.000001 per share.

The Company confirms that in reaching this decision, the Directors continue to expect that all relevant approvals required to commence construction of the Muga mine, including a positive Environmental Declaration (“DIA”) and the Mining Concession will be issued by the relevant Spanish Government departments. In addition, the Directors expect all approvals necessary to commence operations will be received in a timely manner during or on completion of construction.

### Company

Peter Albert  
Managing Director  
Ph: + 34 628 590 109

Hayden Locke  
Head of Corporate Development  
Ph: +34 609 811 257

### Investor Relations Executives

Simon Hinsley  
APAC Investor Relations  
Ph: +61 401 809 653

Jos Simson/ Simon Hudson  
UK Investor Relations  
Ph: +44 207 920 3150

### Highfield Resources Ltd.

ACN 153 918 257  
ASX: HFR

### Issued Capital

311.2 million shares  
56.7 million options

### Registered Office

C/- HLB Mann Judd  
169 Fullarton Road  
Dulwich, SA 5065  
Australia

T. +61 8 8133 5098  
F. +61 8 8431 3502

### Head Office

Avenida Carlos III, 13 -  
1ºB, 31002  
Pamplona,  
Spain

T. +34 948 050 577  
F. +34 948 050 578

### Directors

Derek Carter  
Peter Albert  
Pauline Carr  
Richard Crookes  
Jim Dietz  
Owen Hegarty

### Company Secretary

Donald Stephens

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## About Highfield Resources

Highfield Resources is an ASX-listed potash company with five 100%-owned projects located in Spain.

Highfield's Muga, Vipasca, Pintano, Izaga and Sierra del Perdón potash projects are located in the Ebro potash producing basin in Northern Spain, covering a project area of more than 550km<sup>2</sup>. The Sierra del Perdón project includes two former operating potash mines.

The Company completed a Definitive Feasibility Study for its flagship Muga Project in March 2015, which was optimised in November 2015 to enhance operational efficiencies, sales and marketing activities and the life of mine.

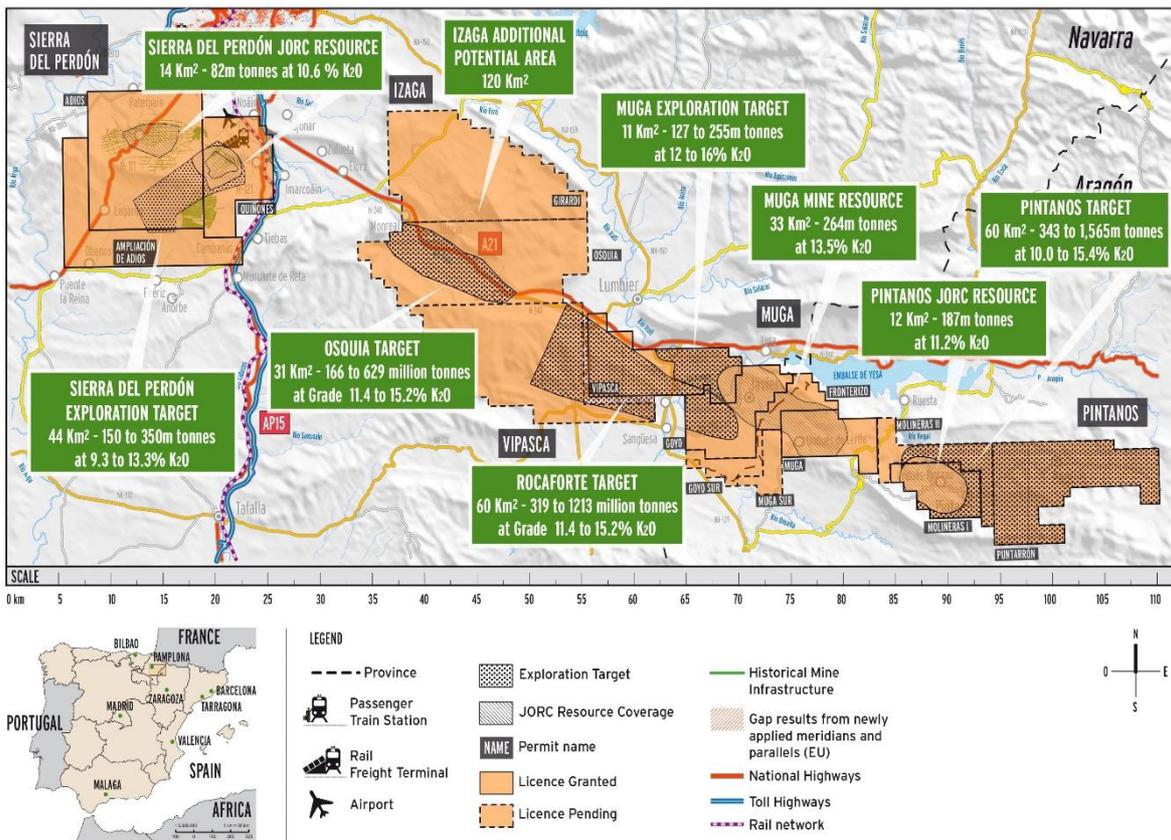


Figure 1: Location of Highfield's Muga, Vipasca, Pintano, Izaga and Sierra del Perdón Projects in Northern Spain

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