
Annual Report

31 December 2019

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Corporate Directory

Directors

Mr. Richard Crookes
Non-Executive Chairman and Acting
Chief Executive Officer

Ms. Pauline Carr
Independent Non-Executive Director

Mr. Roger Davey
Independent Non-Executive Director

Mr. Jim Dietz
Independent Non-Executive Director

Mr. Brian Jamieson
Non-Executive Director

Mr. Isaac Querub
Independent Non-Executive Director

Company Secretary

Mr. Donald Stephens

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(Home Exchange: Perth, Western
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ASX Code
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Letter from the Chairman and Acting CEO



Dear Shareholders,

2019 marked my first year as Chairman of your Company, having been elected at last year's AGM in May 2019 following the retirement of Derek Carter, your founding Chairman. Of course, I have been a director of Highfield Resources since 2013, so I am no stranger to the Company and our stakeholders, however the role of the Chair has felt like an important step-up for me personally. I have received greater contact from shareholders and much closer interaction with our CEO, as well as developing more significant relationships with the Non-Executive directors. To all, I would like to thank you for your continual support and encouragement.

I couldn't have wished for a better start, with the award of our long-awaited and critical environmental approval (Declaración de Impacto Ambiental or DIA) for the Muga Project in June 2019, just two weeks into the job. The credit for this though is not mine, but belongs to our outstanding team in Pamplona, led superbly by our then CEO, Peter Albert and ably supported by his predominantly Spanish team. Special mention must go to Ricardo Perez, Head of External Relations, for his tireless efforts to deliver this outcome, a result of his excellent communications and relationships with all the relevant approval authorities developed over several years. Ricardo in turn is supported by an excellent team and in addition, all the technical departments must be also congratulated for their detailed contributions to the permitting submissions. The next important milestone is to secure the Mining Concession and we are well advanced in this process, having submitted all documentation to the Authorities on 13 March 2020.

The award of the DIA was a defining achievement for the Company. Although always anticipated, it was nonetheless a tremendous outcome which demonstrated to all stakeholders the Company's commitment to social, environmental

and technical excellence for the Muga Project and mine. The authorities in Madrid as well as those in Aragón and Navarra are commended for their diligence and commitment in assisting the Company in achieving an outcome with excellent and sustainable ESG outcomes.

In 2019, we also made significant improvements to the design of the mine, especially in the process plant. As a consequence of the environmental permit requirements, we have improved environmental outcomes by advancing the engineering of the vacuum salt device as well as the backfilling facility. These units have been successfully integrated into the overall plant design yielding improved recoveries and project financial outcomes. In making these achievements, we have been working in close co-operation with some of the best international technical expertise available in the potash industry, out of Germany.

Part of our focus in 2019 has been to ensure that we are extracting the best value from our exploration programme. To this end, we have undertaken significant drilling campaigns

in Vipasca to continue to prove up the potash potential in this tenement abutting Muga. In 2020 we anticipate bringing this work together and updating our Resources and Reserves at Muga-Vipasca. During the year we also completed closure activities on some tenements which demonstrated little economic potential and then released those tenements back to the Government.

The potash sector remains an attractive place to invest, with continued strong demand growth for fertilizers and potash in particular. While we are seeing a number of new speciality sulphate of potash (SOP) projects being developed, muriate of potash (MOP), which our Muga Project will deliver, remains the dominant form of potash produced and consumed, and the supply response from the major potash producers is well managed to match global demand. This maintains our attractive forecast margins. In particular, the European MOP price premium over other markets remains stable and supports our view that Muga will be one of the best located and profitable potash projects in the world. This will provide

“The award of the DIA was a defining achievement for the Company. Although always anticipated, it was nonetheless a tremendous outcome which demonstrated to all stakeholders the Company’s commitment to social, environmental and technical excellence for the Muga Project and mine.”

a very sound foundation for the success of a capital raising when the time comes to complete the project financing for Muga. Notwithstanding the current depressed pricing for MOP, we agree with the UK based independent commodity analysis group, CRU that markets will improve over the next few years as we move into production.

Like all organisations across the world, we have been faced with the challenges of the Covid-19 virus pandemic. Highfield has been proactive in dealing with these, almost from the first mention of this as a potential global risk. The well-being of our staff is our primary concern and responsibility and we have enacted robust business continuity measures. At the time of writing, all staff are healthy and working remotely with activity as near to normal as possible. Fortunately, as a pre-operations company, we have far fewer risks than many others. We are required to operate within the constraints of broader measures being imposed in Spain and may suffer the ensuing impacts and consequences. We remain confident that these measures will keep our staff safe and promote a return to business as usual within a manageable timeframe.

I would finally like to acknowledge the CEO transition that will occur this year. We are saddened that Peter Albert decided to leave the Company, and step down from the Board, at the end of January 2020 to relocate his family back to Australia. Peter was in the role for three and a half years and was instrumental in developing a new team and a strong corporate culture, guided by our vision and core values, known locally as CREA (Commitment, Respect, Excellence and Attitude), as well as securing the DIA. His legacy is a strong values-based team that will continue to deliver well into the future and allow us to build a successful, sustainable potash business. We were very fortunate to have had Peter as our leader and I wish him and his family all the best for the future. Importantly Peter continues to be available as a consultant to the Company, assisting where required.

The Company has engaged a global search firm to find a replacement CEO and is well advanced in its international recruitment process, and I will remain as Acting CEO until a new CEO commences.



Richard Crookes

Chairman and Acting Chief Executive Officer

27 March 2020

“In particular, the European MOP price premium over other markets remains stable and supports our view that Muga will be one of the best located and profitable potash projects in the world.”

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Sustainability Report

CEO letter

About this section

Sustainability focus

Sustainability mapping

Performance highlights

Letter from the Chairman and Acting CEO

Dear Readers,

This is the Group's fifth annual report on Sustainability.

Today, our team is more united than ever and I would like to believe that one of the aspects key to the development of the Muga Project has been to instil in the whole team a strong commitment to our CREA core values, being Commitment, Respect, Excellence and Attitude. I am a strong advocate of the concept that navigating as a team with clearly articulated corporate values is the foundation for success of any business. I am convinced that our values have contributed to the development of a strong and effective team, with an unwavering commitment to high ethical, safety, social and environmental standards, capable of facing the challenges that will undoubtedly confront us in the future.

Today the world is changing rapidly, accelerated by the impacts of climate change. The whole world faces greater challenges to sustain our current environment, to turn back the clock on the negative impacts to date and to contribute to a sustainable world for future generations. Mining projects of the magnitude of Muga must be examined, implemented and monitored with the utmost rigour as we have done at Highfield. I am extremely proud of the achievements made by the team to date culminating in early June 2019 with the announcement of the DIA award, the major environmental permit for the Muga Project. This tremendous outcome was the result of years of dedicated and professional work by the Highfield and Geocali team and our consultants. This result is a demonstration of the Group's unwavering commitment to the highest environmental and social standards. I never had any doubt that it would be achieved, nor do I have any doubt that we will obtain the Mining Concessions and construction permits, it is only a matter of time.

It is appropriate to consider the Company's stance in respect of the UN's Sustainable Development Goals which seek to encourage measures to build a sustainable world. This year, our Company has once again worked towards this vision by committing to implement a large project with integrated initiatives that contribute to those objectives, with special emphasis on our social and natural environment. This report sets out these initiatives and highlights those that we have developed internally through our Living Values programme to embed our corporate values in our daily work. It also highlights our actions within the community, including information events such as the Open Doors event which attracted more than 400 people with whom we had the opportunity to interact and reaffirm our conviction to develop a project that respects our communities. In addition, our Foundation continued to support initiatives which contribute to the well-being and development of our nearby communities. Also noteworthy, have been our efforts to raise awareness within our team, communities, suppliers and people in the industry regarding the importance of health and safety and to this end we organised presentations by the Central Mining Rescue Brigade, as well as school competitions under the heading of Safety Belongs to Everyone, But It Is My Responsibility.

This year the Company was a major player in the Navarra Government's MinerÉtica initiative, a joint initiative with local mining industry that was undertaken to raise awareness about the importance of the sector and the reality of the strategic importance of projects such as Muga Mine at local, regional and national levels, especially when they are being developed under the highest standards of protection of the environment and the community. I am confident that Muga

Mine will be an international example of modern mining at the forefront of sustainability.

The fertiliser industry, of which Muga will be a part, helps us to achieve the ecological transition that our planet needs. As a future potash producer, I would like to share statements from the International Fertilizer Association, that “the use of fertilisers, firstly, contributes to the forestallment of deforestation, as they allow for increased productivity on arable land. Secondly, they also increase the carbon sequestration potential of agricultural soils by contributing to the buildup of soil organic matter. In fact, 89% of the potential for mitigation in the future of agriculture is based on the carbon sequestration of the soil. Carbon sequestration in cultivated soils can be increased by adding organic and mineral nutrients, on the one hand, but they can also optimise the use of soil, leaving space to increase biomass production”. From a global perspective, potash is a great mineral ally in the battle against climate change.



Richard Crookes

Chairman and Acting Chief Executive Officer



About this Section

This section sets out the highlights of our fifth sustainability report which comprises all sustainable activities carried out during 2019 by Highfield Resources Limited (the “Company” or “Highfield” or “Highfield Resources”) and its Spanish subsidiary Geocalci SLU (“Geocalci”), together “the Group”.

This section is a summary of the Group’s Sustainability Report 2019 that has been prepared in accordance with the GRI Standards: Core option. GRI is an international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. Additionally, this year, the Group continued with the integration of the Sustainability Development Goals (“SDGs”) into its corporate reporting by using the Business Reporting on SDGs guideline developed by GRI and the United Nations Global Compact and the Basic Guide Communication on Progress of United Nations Global Compact since Geocalci has recently submitted its application as a signatory member.

These international guidelines are the most widely adopted frameworks and contribute to the Group’s commitment to transparency and accountability. We want to preserve our high standards in sustainability performance. This will require effort in all areas of the Group’s activities, and will include adopting international frameworks which provide a universal language for corporate responsibility for all businesses regardless of size, complexity or location.

We firmly believe that adopting these guidelines will help us assess, define, implement, measure and communicate our sustainability strategy and will contribute to the Group’s long-term success.

Sustainability reports offer an opportunity for our stakeholders to review the Group’s performance and to contact us with suggestions or comments on the content in the report. Development, implementation and disclosure of responsible corporate practices is key to our business. This report outlines our Sustainability Focus and our Performance Highlights which describe the main actions that have been undertaken in the following areas: Our Business, Our Environment, Our People, and Our Community, because that is how the Group articulates its Sustainability Framework.

For further information visit:

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

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Sustainability Focus

“As the Chairman of the Board of Directors of Highfield Resources, I believe our duty to shareholders is to protect their investment from any potential downside risk both over the short and long-term time horizons. The best way to achieve this is to understand and manage not only technical, financial and external risk, but increasingly ESG factors, as an integrated part of the strategy and management of the Company. The overall aim is to protect and enhance project commercial value by achieving positive political and stakeholder outcomes, within a robust governance framework”

Richard Crookes

Chairman, Highfield Resources

Our Journey for Sustainability

The Group understands that the implementation of corporate sustainability strategies is critical for business success. Since its inception, the Company has implemented Environmental, Social and Governance factors by adopting a broad view of issues and impacts in order to be able to address every aspect that is key for a successful outcome.

In order to understand where sustainability efforts should be concentrated, the Group undertakes internal and external analysis to identify those issues that have the biggest impact and are most relevant to the business and to stakeholders. The Group has engaged actively with its stakeholders and keeps innovating via different communication channels to maintain a constant dialogue.

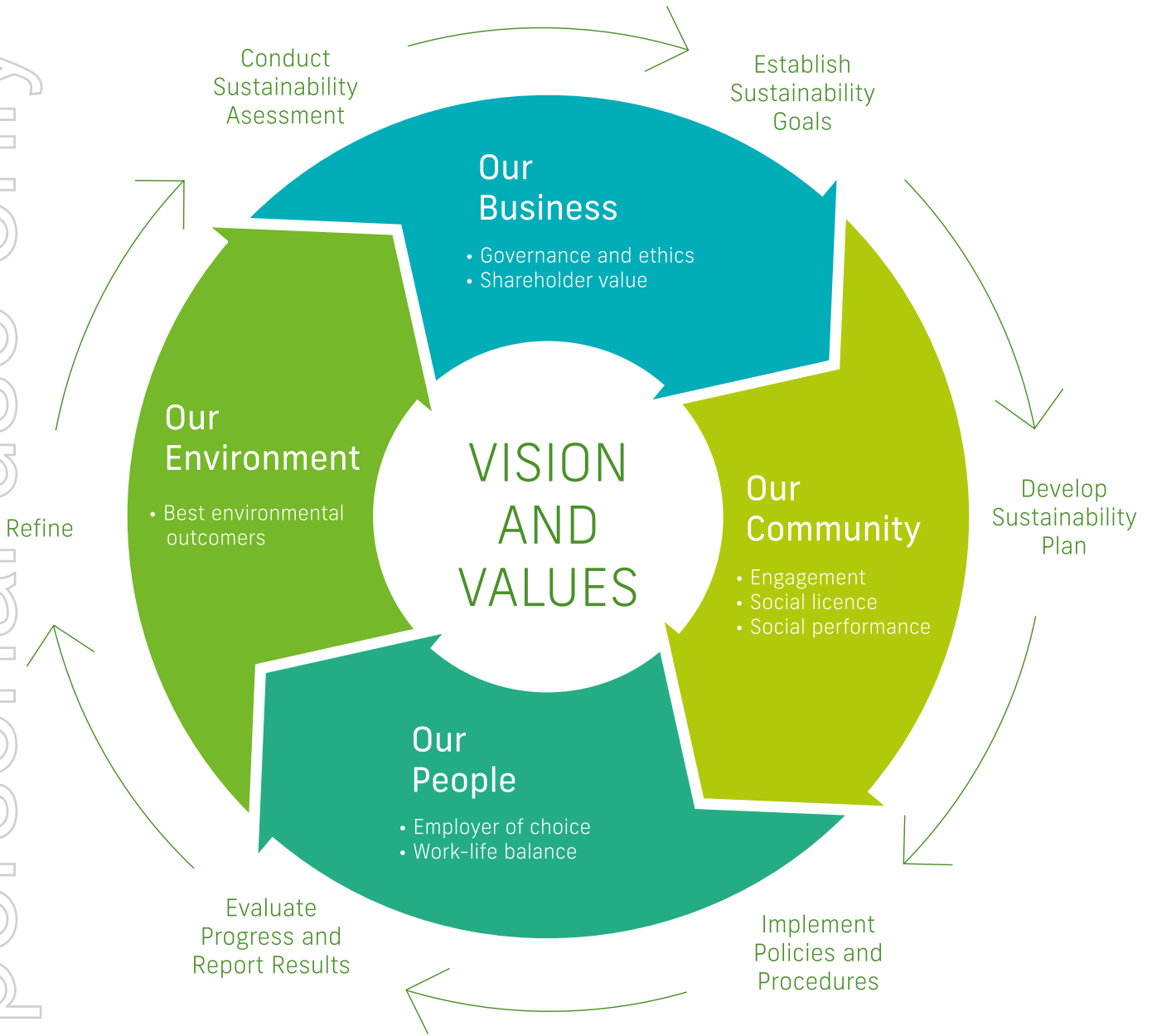
Identifying key environmental, social and governance issues through engagement methods for each stakeholder group has helped the Group define commitments and goals in order to drive the Company's efforts towards minimising negative impacts and at the same time seize opportunities to maximise benefits.

These commitments and goal setting are backed up by specific systems and detailed processes that are monitored and tracked to allow the Company to detect areas for improvement.

This is summarised in the graphic below where the Group's vision and core values form the centre of our strategy. The Group divides its sustainable focus in four main areas: Our Business, Our Environment, Our People and Our Community – these combined, form our Sustainability Framework.

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Sustainability Framework



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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, Excellence, Respect, and Attitude*** which lay the foundations of the eight principles of our ***sustainable roadmap*** outlined below:

1.

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

2.

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

3.

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

4.

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

5.

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

6.

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

7.

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

8.

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



Sustainability Mapping

Stakeholders Process

The Group has several mechanisms in place to communicate with its stakeholders and will continue to do so throughout the life of the Project. At this early stage of the Project, regular consultation is essential to ensure that requirements are agreed upon, and a delivery solution is negotiated that is

acceptable to the majority of stakeholders, especially local communities. The information received and the media monitoring of our activities form the basis of our stakeholder plan refinement and will contribute to continuous improvement of our stakeholder engagement.

Material topics identified



Business Development



Environmental Topics



Safety issues



Sustainable approach

1 Receipt of necessary Permits

6 Water Management

2 Ensure employee Health and Safety

10 Community Involvement

3 Anti-Corruption Measures

8 Waste Management

5 Prioritise Health and Safety in the Community

4 Wealth Creation

9 Restoration of the area

7 Generation of Quality Employment

Stakeholder Type	How	Frequency	Material Topics
Local Communities	Physical suggestion boxes located in the communities involved in the Project	Monthly	4 7 10
Local Communities	Online access through the "We want to listen to you" tab for suggestions, consultations and questions from citizens and residents of the area	Daily	1 4 6 7 8
Local Communities	Events and forums	Twice a year	1 4 6 7 8
Local Communities	Monitoring Press	Daily	3 5 6 8
Town Councils	Official application process	Weekly	1 6 8
Town Councils	Regular meetings	Monthly	1 4
Town Councils	Physical suggestion boxes located in the communities involved in the Project	Monthly	10
Suppliers	Directly involvement with relevant department	Daily	1 4 7
Government Organisations	Official application process and regulatory affairs	Weekly	5 8 9
Non-Governmental Organisations and Local Organisations	Online access through the "We want to listen to you" tab for suggestions, consultations and questions from citizens and residents of the area	Daily	1
Non-Governmental Organisations and Local Organisations	Informative events		5 6 8 10
Non-Governmental Organisations and Local Organisations	Monitoring press	Daily	1 3 5 8
Local Organisations	Regular meetings	Quarterly	4 7
Investors	Interaction with Investor Relations Department and senior management	Weekly	1

Goal Setting, Monitoring and Disclosing

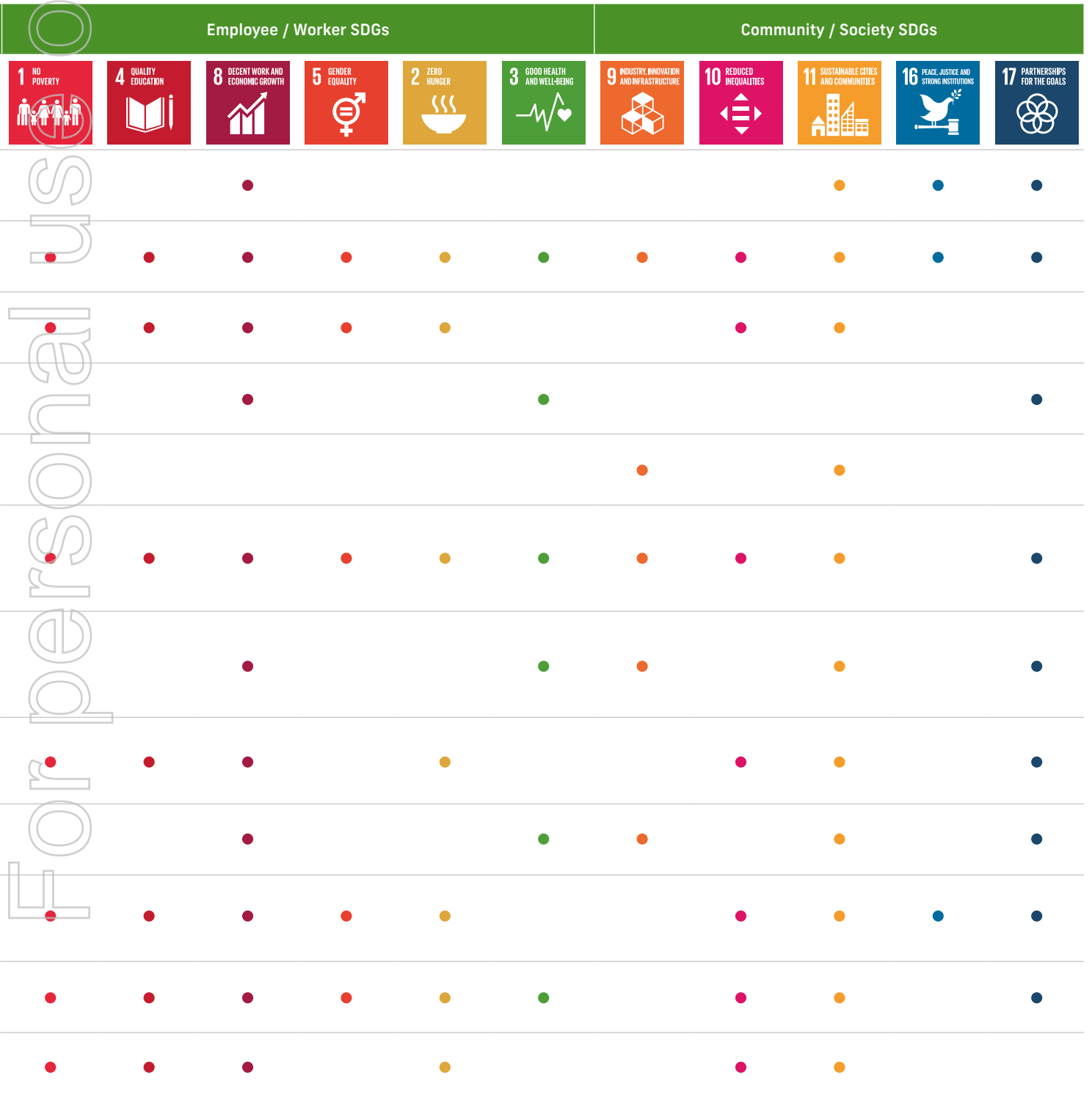
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Strategic Objective		Material Aspect	Environmental SDGs					
			7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	6 CLEAN WATER AND SANITATION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	14 LIFE BELOW WATER	15 LIFE ON LAND
1	To secure all necessary environmental, construction and operating permits	①				●		
2	To build and to successfully operate the first phase of the Muga Mine (0.5 Mtpa MOP)	② ④ ⑤ ⑥ ⑦ ⑧	●	●	●	●		●
3	To develop the plans and financing for the second stage of the Muga Mine (to 1 Mtpa MOP)	④ ⑦ ⑩		●				●
4	To build, operate and maintain a high level of workplace health and safety	② ⑤	●					
5	To conduct our business with regard to all environmental regulations and best practice	⑥ ⑧ ⑨		●	●			●
6	To work diligently with the various communities close to the mine to optimise our social performance and thereby secure and maintain support for Our Project	③ ⑤ ⑥ ⑦ ⑧ ⑩	●	●	●			●
7	To work with the various government departments and regulators in a transparent and engaging manner to secure their trust and enable them to supervise our activities appropriately	② ③ ⑤ ⑥ ⑧ ⑨ ⑩	●	●	●			●
8	To secure all necessary funding for the first phase of the Muga Project and have plans and commitments in place for the implementation of the second phase	④ ⑩		●				●
9	To comply fully with all pertinent legislation	② ③ ⑤ ⑥ ⑧ ⑨	●	●	●			●
10	To develop plans and studies for the potential implementation of future projects within the Group's current tenement holding	① ④ ⑦ ⑩		●		●		●
11	To become the Employer of choice within our sector and environment	② ③ ④ ⑦ ⑩		●				●
12	To return value to our shareholders	④						

We have incorporated international sustainability guidelines that help us assess and measure our performance and that have been aligned in accordance with our strategic goals. The Company also supports and seeks to actively contribute to the achievement of the SDGs. Geocalci has recently applied to become a signatory member of the UN Global Compact. Therefore, the Company will also incorporate the section Communication on Progress (COP) in order to

comply with Global Compact guidelines. The results of incorporating these principles are disclosed through our sustainability reporting commitment in the standalone version of this report.

As a summary, the following graphic shows how the Company has integrated its strategic objectives, aligning them with the identified material topics resulting from the stakeholder engagement process and its impact on the SDGs.



Performance Highlights

Our Business

DIA Award Confirms High Environmental Standards of Muga Project

Geoalcali received its environmental permit approval (DIA) in June 2019. This is one of the Company's greatest achievements after a comprehensive and rigorous process that involved a vast number of stakeholders and entities which analysed the Project, evaluating environmental aspects and their impact in order to determine its compatibility with the environment. All entities and stakeholders had the opportunity to put forward suggestions and the Project has incorporated optimised measures as a result of this process.

Muga Project enhancements enable a more sustainable project

The Company continued working on the optimisation of the operations by bringing forward the scheduled commencement of the backfilling process to enhance residue management. This has resulted in the reclassification of costs for the backfilling equipment from sustaining capital to up-front capital. In addition, improvements in the process plant equipment were incorporated, as well as significant improvements in recovery, bringing forward production of commercial vacuum salt, and earlier commencement of residue management and treatment of by-products. As a result, the Muga Project will start reducing waste at a very early stage and the by-product management and commercial plan will increase the Project profitability.

These technical enhancements deliver a number of value adding and improved environmental outcomes and achieve improved compliance with the DIA environmental permit issued by the Ministry for Ecological Transition (Ministerio para la Transición Ecológica, or "MITECO").



Continuing the Development of a Sustainable Potash Business

During this year the Company continued making progress as outlined below:

- Completion of metallurgical test work and process plant design resulting in a recovery increase to over 90% meaning the operation will be much more efficient;
- The Company signed a Non-binding Memorandum of Understanding (MOU) with Ameropa AG for the sale of up to 250,000 tonnes of MOP per annum from the Muga Potash Mine;
- Continued exploration work on our Vipasca area of interest with encouraging results;
- Muga Project updated to incorporate DIA environmental enhancements that included revised capital costs, operating costs and estimated financial outcomes resulting in significantly improved Project economics;
- Award of a number of detailed design and construction packages;
- Continued advancing the Mining Concession and the construction permits processes which are the next permits necessary to progress the Project into the construction phase; and
- Continued our strong focus on ESG by engaging with multiple stakeholders to maintain continuous communications and address in an ethical manner, any area of concern.

This work ensures that the Company will be prepared for the next steps of the Muga Project development.

Strong Governance

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 and the Company's representatives behave in a manner that aligns with the Company's high standard of corporate and social responsibilities.

The Group periodically reviews its procedures and policies and suggests changes to ensure high ethical standards are met. This year the Code of Business Conduct and Ethics included enhancements in the Whistleblower Policy and the Continuous Disclosure Policy.

The Group publishes its corporate governance policies, Code of Business Conduct and Ethics and its Board and committee charters on Highfield's website at <https://www.highfieldresources.com.au/corporate-governance/>

Recognitions and Awards

InnovaRSE Certificate

Receipt of the Reporting Award as a result of our efforts in implementing sustainable management



Bonus 2018

The Company received the Bonus 2018, a health and safety recognition for having a low accident rate



RSA 2020 certificate

Aragón Social Responsibility Seal for the fourth consecutive year



Industrial Foundation of Navarra Award

The Human Resources Department of Geoalcali received a recognition award by the Industrial Foundation of Navarra for sharing their best practices in order to achieve a 'stronger and more competitive' industrial community



Association of Foundations of Navarra Award

Award by the Association of Foundations of Navarra in the Culture Category for the Project Roman Heritage as a Tourist and Development Resource in Liédena, a tourism and cultural initiative aimed at discovering and publicising the wealth of the Roman heritage that surrounds the local area of Navarra and that, at the same time, culturally links the people with their neighbours from nearby Aragonese towns



Partnerships for the SDGs and Strengthen Industry Relationships

During this year Geocalci joined other mining companies, mining associations and the Mines Department of the Government of Navarra to raise awareness of how responsible mining and minerals help us achieve a more sustainable world, by launching the MinerÉTICA forum.

MinerÉTICA was part of the celebration of European Minerals Day, a European initiative to bring the minerals world closer to society. As well as distribution of information materials in Navarra, exhibitions, workshops, visits to mining activities and conferences have been programmed.

Among the activities included in the forum was the inauguration of the Company's mineral exhibition "Essential Minerals for a Sustainable Future" in which people had the opportunity to learn about the Sustainability Development Goals and how they relate to the mineral resource industry.

"Essential Minerals for a Sustainable Future" was displayed in the Environmental Education Museum of Pamplona (Museo de Educación Ambiental de Pamplona). Numerous organisations and institutions throughout Spain have shown interest in showcasing this exhibit, which emphasises the importance of minerals in our daily lives and the value of sustainability as the cornerstone of mining today.

The inauguration event included a conference on the use of minerals in daily life delivered by Esther Lasheras, chemistry professor and head of the rock and mineral collection of the Science Museum of the University of Navarre.

A mineral workshop also took place at the Environmental Education Museum, as part of the MinerÉTICA forum activities. Visitors were able to learn to differentiate some of the most used minerals, their main properties and to find out in which products they are used, in a fun and educational way.

The Company also worked collaboratively with the Universidad de Navarra in the organisation of the I Sustainability Forum "Mazingira" in which members of the World Business Council for Sustainable Development among other sustainability leaders shared their vision about future trends with students, mining professionals and business representatives.

The Company also participated in the Social Innovation forum, organised by Más Humano Foundation, La Caixa Foundation and Caja Navarra Foundation. The Social innovation objective is a "speed dating" event between companies and social associations to seek partnerships with the aim of support the SDGs focused on reducing inequalities and gender equality, among others.



"Essential Minerals for a Sustainable Future" exhibit at Environmental Education Museum



Esther Lasheras with MinerÉTICA organisers



Students during minerals workshop in MinerÉTICA



Participation in Forums

Mining Metals Hall (MMH) Seville 2019

At this international event in Sevilla, Sheila Maqueda, Geoalcali's technical engineer of mines, presented the Design and Planning of the Muga Mine, during the technical sessions organised by Cominroc, in a seminar entitled "Overview of the industrial minerals sector". Geoalcali's Director of External Relations, Ricardo Pérez Merino, also participated as a speaker at a roundtable dedicated to mining and investment policies to discuss the social aspects of the Project.

The MMH brought together more than 800 delegates, about 150 exhibitors, 70 speakers and around 6,000 visitors.



Seminar on Industrial Minerals of Aindex (a Spanish mining association)

Geoalcali contributed with a presentation titled 'The Social Factor in the Muga Project' to share its experience in CSR with the mining engineer students of the Universidad Politécnica de Madrid. This educational forum aims to bring mining companies experiences to students throughout the different stages of the mining value chain.

Navarra with a Future

Navarra with a Future is an intergenerational, intersectoral and inclusive forum that seeks to present jobs of the future, that are already a reality in the most innovative companies of Navarre, Spain and across the world. Javier Olloqui, Director of Human Resources of Geoalcali, participated in a one-on-one talk about employment opportunities.

The Company also hosted an exhibit area for the Muga Project, which will help address the problem of depopulation in its local communities.

The Company also attended the following conferences:

121 Mining	Hong Kong
121 Mining	London
IFA	Montreal
Argus Fertilizer Conference	Malta
IMARC	Melbourne
121 Mining	Sydney
Mines and Money	London
Mining Journal Select	London

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Our Environment

Enhancing our Environmental Consciousness

Staff training and awareness campaigns are fundamental so that our actions are carried out under environmental protection criteria, and that these criteria are also transferred to the appropriate external suppliers and consultants.

One of the measures implemented was the installation of organic waste collection on a voluntary basis, before being legally required. This measure was implemented both in Geocalci's main office and in the Company's core sheds in Beriain and Sangüesa.

In addition, and with the aim of reducing our plastic consumption, a policy of ceasing to purchase single-use plastic utensils was established.

Training plays a very important role, focusing efforts on the avoidance of waste generation and secondly, on its recycling.



Staff awareness campaigns

Talks and Events

Internal Communications

Waste Management Strategy at Muga Mine.

7 communications in intranet

“World Environmental Day”, focusing on the problem of air pollution.

3 awareness posters

A week long “Challenge to reduce air pollution” in which all workers proposed daily actions throughout the week, in order to raise awareness and make those actions become habits.

Awareness event about Climate Change given by an external guest expert in meteorology who presents meteorological information on radio and in newspapers and magazines, as a speaker in events for National Geographic and the University of Barcelona and by presenting weather information in El País Digital, Telemadrid and TVE programme “Aquí la Tierra”. We learned the differences between climate and meteorology, and what Climate Change means, and discusses the impact of human activity as a factor in increasing natural climate change.

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Effective environmental management

Prior to the commencement of each field work programme, whatever its purpose or dimensions, the Geoalcali's Environmental Department carries out, based on updated official cartography, an environmental evaluation to detect which natural elements could be affected in order to mitigate any potential negative impact.

With regard to mining exploration drilling activities, a preventive measure has been the implementation of watertight containers at the drilling site for the temporary storage of water and drilling muds until they are removed, acting as a reservoir to contain potential excess rainwater.

During drilling activities, platforms are prepared with waterproof sheets that allow for the collection of any accidental spill of oils or saline water without these reaching the ground or ground water.

In addition, the earth extracted for the preparation of the site and for the excavation of the ponds is used to build a barrier under the ponds that will act as a protection barrier against liquid spills.

All waste generated during the design phase and exploration activities are managed in accordance with the legislation and delivered to authorised and official waste management entities.

In the office and in its core sheds, organic waste is already being managed. Although this is not yet a legal obligation in Navarra, it is a commitment to good environmental practices.

Protocols in the event of an environmental accident

Geoalcali is committed to the prevention of environmental accidents, by implementing preventive measures to minimise the environmental impact in all the Mina Muga Project phases as well as in its headquarter office and field work during exploration activities.

However, in the event of an environmental accident, Geoalcali has established a protocol that describes the steps to be taken (Contain, Warn and Remedy) and a directory of contacts required for each situation.



Intensified Environmental Protection Measures in Muga Project

The Group understands that environmental protection is a fundamental pillar on which its entire business is based, not only in terms of minimising any potentially negative impacts of its industrial activity, but also in terms of conserving the natural environment on which it is built and its surroundings.

Geoalcali understands that the protection of the ecosystems and habitats in which animal and plant species live requires

that its actions should go beyond the immediate vicinity of its facilities. It is therefore committed to the development of several initiatives that, together with the international SEO/Bird Life organisation, will be carried out in the area of the mine as well as more widely within the communities of interest from the start of the construction phase and will be maintained throughout the life of the mine.



Monitoring and controls

In 2019, the Muga Mine Environmental Monitoring Programme was updated according to the requirements included in the DIA. The monitoring programme establishes an exhaustive control over potentially contaminating factors, the form of measurement, the parameters measured, and the maximum thresholds established. It also serves to verify the effectiveness of the preventive actions adopted and, where necessary, to improve them or establish new measures.



Water management

The Muga Mine Water Management System, designed under the principle of non-contamination of the water environment, has also been updated. The construction plan for the ramps now includes specific waterproofing using the jet-grouting technique to reduce drainage and therefore the volume of water stored in the plant.

The process plant is designed to use water of variable salt concentration and to recirculate the process water in such a way as to minimise the use of water.

During this year, a local company specialising in hydrogeology has optimised the design of the water environment control network, which includes surface and groundwater control points in the area of the Muga process plant, downstream and area of the potash deposit. This network provides information to detect any variation in the qualitative and quantitative parameters of the water, ensuring appropriate measures can be carried out as may be necessary.



Waste management

During the year the Mining Waste Management Plan has been updated and incorporated into the Restoration Plan, as required by the DIA. The salt waste volumes on surface during the production phase will be lower and will be completely removed during the final restoration of the mine, with no waste remaining on the surface after the dismantling and restoration process is finalised.

Our Community

Reinforcing our Community Engagement

After the DIA award, in July 2019 the Company hosted an information session in Javier, welcoming 13 mayors and 17 other representatives from our local communities, as well as five members of public institutions. The feedback collected during the event indicated that 97% of the attendees support the Project. Topics dealt with included water management, traffic and environmental monitoring. The Company had the opportunity to explain these topics as well as other queries around employment and community opportunities. The feedback collected from the community representatives was used to design an information event for others in the community.

Later, in September 2019, the Company hosted a two-day Open Doors information event. The Company welcomed around 400 visitors from nearby communities. The attendees included people from local schools, retired persons clubs, local companies, local and regional suppliers, local citizens, mayors, government representatives and ecologists.

During the year the Company increased community participation as well as positive feedback as indicated in the chart below.

	2016		2017		2018		2019	
	H1	H2	H1	H2	H1	H2	H1	H2
In favour	4	0	16	54	73	31	17	97
Not in favour	0	0	1	4	1	2	0	1
No opinion but more info requested	0	0	3	25	4	5	0	7



Zero grievances from local communities

Grievance Mechanism

Exploration activities may cause issues related to land access, environmental disturbances or potential impacts on cultural heritage or sacred sites. Therefore, Geocalci has set up a formal grievance procedure making available, through notices in the local town councils and at drilling sites, a formal channel to address any complaint or concern. Geocalci treats any such communications very seriously and keeps track of the commitments it has made in response to ensure proper stakeholder engagement.

The Company has also installed suggestions boxes in local town halls to ensure communications with local residents that do not have access to online channels.

Depopulation

The Company participated in a Depopulation theme radio programme, to discuss this issue of great relevance for the local communities of Muga. The programme involved local mayors, local businessmen, government and university experts who addressed the issue with the aim of raising awareness and speeding up solutions. The conclusion was that employment opportunities, such as those that Muga will bring to the community, are a key factor, but that other socio-economic and technical developments are necessary to ensure existing residents and newcomers remain committed to the area for the long term. The broadcast had around 37,000 local listeners.

Also, it is worth noting that Cederna Garalur (the rural development organisation of Sangüesa) expressed its gratitude to Geocalci as a company which demonstrates a spirit of continuous collaboration.



Depopulation Radio Programme at Sos del Rey Católico Town Hall



Supporting the Communities' Initiatives



Quality education

Donation of sound equipment to the Luis Gil Public School

February 2019

The Association of Fathers and Mothers of the Luis Gil School, carrying out the idea of the school's management of providing the centre with sound equipment for the subjects of physical education, psychomotor skills, dance and body expression, conveyed this idea to the Geoalcali Foundation which supported the initiative. This initiative will aid in improving the development of classes and increase the number of activities carried out by the centre.

The Luis Gil Public School of Sangüesa is a regional centre that welcomes students not only from Sangüesa but also from nearby towns including Liédena, Yesa, Eslava, Gallipienzo, Javier, Aibar and Cáseda. Subsequently, most of the students continue their studies at the Sangüesa Institute and the IES Sierra de Leyre.

Through our Foundation, the Company continued supporting local initiatives with a special focus on Quality Education, Social Integration, Sustainable Communities and Protection of the Environment.

Donation of Digital white board to the Isidoro Gil de Jaz Public School

February 2019

The Geoalcali Foundation contributed to the acquisition of a digital white board for the Isidoro Gil de Jaz Public School of Sos del Rey Católico.

The Isidoro Gil de Jaz School is located in the municipality of Sos del Rey Católico in the northwest region of the province of Zaragoza in Aragón. This area is called Altas Cinco Villas and is very close to the border with Navarra and is currently one of the most depopulated regions in Spain.



School transport service in Undués de Lerda

September 2019

The Geoalcali Foundation maintained its support for the transportation service for children in the town of Undués de Lerda who study at the Sangüesa Institute, thus improving the quality of life of residents and helping working parents with children who need to travel to school.

The service is also open to all residents of the town, especially those of older age, in order to facilitate their daily transportation needs.

Located at an altitude of 633 meters, with just over 50 registered residents, Undués de Lerda continues fighting tirelessly against depopulation, a great peril that afflicts most of the towns and villages of the region.

Donation of school supplies for the Babyteca

October 2019

The Geoalcali Foundation understands that the integration of rural women into the workforce is a fundamental pillar for sustainable development in the region. Therefore, it continues to actively support the maintenance of the Babyteca facilities of Sos del Rey Católico, by contributing part of the costs of the school supplies which are needed to provide a proper service.

The Babyteca of Sos welcomes children everyday between the ages of 0 and 3 years old. There is no other service provided in the region for this age range. With 400 residents and a notably aged population, Sos seeks to maintain its own service in order to attract young families to the town.





Social integration

Sponsorship of the Conference on the Hospital Order of Saint John of Jerusalem

September 2019

The Geoalcali Foundation supported this conference which focused on the era of splendour of the Order, its beneficial work and its military activities.

This conference was organised by the City Council of Castiliscar, the Association of Friends of the Museum of the Order of Saint John of Jerusalem, and the Castiliscar "Encomienda", historic association and was hosted by the president of the Royal Academy of Fine Arts of San Luis, Domingo Buesa.

The conference, whose attendance provided university credits to the students, featured several presentations given by experts and was inaugurated and closed, respectively, by the University and Culture Council of the Government of Aragón. This type of activity raises awareness of Aragonese heritage, as well as attracting tourism and students to a region with highly depopulation rates.

Sponsorship of the Project Convivium Yesa

August 2019

In an effort to support local traditions and healthy habits, the Geoalcali Foundation worked jointly on the organisation of training activities aimed at prevention of disease and bad health and promotion of equality, creativity and imagination in the town of Yesa.

The Convivium Yesa, named after the town that gives its name to the reservoir located between Navarra and Aragon, offers activities such as the restoration of utensils with great tradition and reception such as the Zezenzuso or "Torico de Fuego", a metal framework in the shape of a bull, on whose spine a frame with pyrotechnic elements is placed and in front of which children and adults run, usually during the celebration of local festivities.

Financial support to the VII Edition of the Roman Festival

October 2019

The Geoalcali Foundation, in its commitment to boost cultural assets in the local communities, supported the City Council of Liédena in the dissemination of its Roman heritage, including guided visits to the Museum of Santa Criz de Eslava and the Musas de Orellano.

During its Roman Festival event, Liédena and its Roman villa were transformed into a stage for theatre, music, artisans, and street entertainment in a Roman ambience setting.





Sustainable Communities

Donation of exercise equipment to the elderly May 2019

With the help of the Geocalci Foundation, the Liédena City Council started a series of activities during the year aimed at the physical wellbeing and health care of its residents.

The Geocalci Foundation contributed to the acquisition of exercise equipment suitable for the elderly of the town.

Workshops on memory and how to age in a healthy way, as well as zumba or yoga classes, make up the majority of the activities offered and promoted by the Liédena town hall.

Financial support to build a playground in Rocafort May 2019

The Geocalci Foundation has contributed to the construction of a small playground where children can enjoy their free time, with modern swings and a slide, on a rubber floor which creates a safe environment for games and entertainment in this small village in the surroundings of Sangüesa.





Protection of the Environment

Sponsorship of the Juan Migueliz Leyre Trail Race in aid of the reclamation of local trails

October 2019

The Geoalcali Foundation collaborated with the Trotecuto Mountain Club in the recovery of two trails, which in addition to being used in the Juan Migueliz Leyre Mountain Trail sports event, will be kept clear and marked for the use and enjoyment of neighbours and tourists throughout the year.

The sporting event is organised by the Trotecuto Mountain Club, and takes place in a privileged landscape and cultural environment, as it runs through enclaves such as the Sierra de Leyre, the Foz de Arbayun and the Yesa Reservoir. With a start and finish at the Monastery of Leyre, it goes through places such as the Cañada Real de los Roncaleses, Paso del Oso and the top of Arangoiti, among others. This is one of the most popular events that bring together most of the communities of interest of Muga Mine.



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Volunteer Programme: I Commit (Me Comprometo)

The Group considers that fostering good relations with the community is one of the key elements to the success of its business project, but it is also aware that participating in experiences that involve helping others has a positive impact on the personal growth of each staff member. For this reason, as part of its social responsibility policy, this initiative is not only part of a purely philanthropic activity but also an initiative that generates shared value for the employee, the Company and the community. The programme was launched in December 2019 with several initiatives available to all staff throughout the year.



Community Day

Employees from Geocalci and Bovis, the Company's project management partner for the Muga Mine, volunteered in the decoration of a Christmas Tree of Undués de Lerda access roundabout and donated articles for the Social Services entity of Cinco Villas region of Aragón.

Our People

Upholding Highest Standards in Ethical Performance in the Workplace

During the year the Company launched its “Living Values” programme with the objective that our core values of Commitment, Respect, Excellence and Attitude will become ever more present in the daily work of all staff members, as guiding principles in their decisions and actions.

All members of the staff were divided into groups and tasked to prepare different activities to raise awareness on how each of the values should be incorporated in our daily work. These activities included hosting talks by inspirational speakers that are living examples of each of these values:

COMMITMENT	Jesus Cia, founder of Josenea, an organic producer located in the Muga area that employs workers at risk of social exclusion with the aim of reincorporating them into the workforce.
RESPECT	Alberto Undiano, a famous Spanish football referee that is publicly acknowledged for his self-control and respectful attitude under stressful situations even in the highest profile matches.
EXCELLENCE	Maidar Esparza, is a former olympic gymnast who faced demanding training from a very young age which successfully led her to the olympic games with the Spanish national team.
ATTITUDE	David Ruiz and Daniel Oteiza, local firemen helped us understand the importance of maintaining a positive attitude even in the most dangerous and demanding situations.

The programme also included a team building day during which staff members put into practice the CREA values by interacting with team members in outdoor and indoor activities.

The experiences and learnings from the Living Values programme have been included as part of the Company's annual employee performance review, reflecting the importance of the values in everything we do.



Striving for excellence in Work-Life Balance and Diversity Inclusion

The Association of Women Entrepreneurs and Managers of Navarra (AMEDNA) held a working session in November 2019 to exchange good practices in the field of work-life balance. Geoalcali was chosen as a "Good Practice Example". Estibaliz García, from the Human Resources department, was the guest speaker who explained the policies implemented by Geoalcali to 17 companies and entities of Navarra, including the Regional Government.



Geoalcali is aware of the importance of diversity inclusion. Several activities were undertaken to raise awareness during International Women's Day, notably hosting a video conference talk by Anna Tudela, former Vice President of Diversity, Regulatory Affairs and Corporate Secretary of GoldCorp, a large Canadian gold producer and an active role model in the defence of good corporate governance practices, especially in diversity issues.

The Company also contributed to #MiningTogether initiative, a three-month video storytelling campaign, sponsored by Anglo American and De Beers Group to promote gender equality and inclusion in the mining sector.

The Company is committed to implement initiatives to attract and retain female talent which currently represents 37% of the staff.

Number of Employees

Year	Female	Male
2019	13	22
2018	12	21

Employee hire and turnover

Two employees left the Company (1 male and 2 female) and 5 people have joined over 2019 (3 female and 2 male).

"I have a very strong belief that the more balanced the gender ratio, the better the conversations we have and the better decisions we make as a team."

Richard Crookes
Chairman, Highfield Resources

A Healthier Workplace

As part of integrating our core values CREA in our daily work, the Company has implemented a Healthy Living programme, making fresh fruit available in the office and providing mindfulness sessions to encourage healthy life habits for a healthy workplace.

The Company also supports employees who have sporting hobbies by sponsoring contests and races with a special focus on those sport events that are held in the communities near Muga.

An example is the "Javierada" pilgrimage, a popular Navarran tradition that is celebrated every year by participants trekking or cycling to the village of Javier. A group of Geoalcali staff took part in this initiative that is part of the cultural heritage of this region in Spain.

The Company has in place an Employee Benefit Programme that gives access to an extensive health insurance plan at a beneficial rate.

Building a Strong Safety Culture

Health and safety at work are a top priority, as well as a legal and social obligation. The Group is aware that taking its health and safety obligations seriously and promoting best practice in these aspects, at all levels, is not only key to preventing injuries but also contributes to the development of a responsible and healthier society.

As part of the celebration of the World Day for Safety and Health at Work, Geocalci invited the Central Mining Rescue Brigade of Asturias, a prestigious rescue group with 107 years' experience, to address its employees.

The event, under the heading of Safety Belongs to Everyone, But It Is My Responsibility, was attended by all the Geocalci staff, as well as by former potash miners of Navarra from the Santa Bárbara Brotherhood in Beriain, members of the Navarra Civil Guard Command, mining technicians from the Government of Navarra, other mining and related companies, representatives from AEMINA (Business Association of Miners in Navarra), as well as representatives from municipalities close to the Muga Mine Project.

The event highlighted the importance of the experience and knowledge accumulated by the Central Mining Rescue Brigade of Asturias, and the selflessness and social commitment of this professional body.

The Company is also making efforts to promote a health and safety culture in the Muga communities. Several talks in local schools were organised in order to engage with the future generations.

The Company and the Geocalci Foundation also organised a Health and Safety contest titled "Are you Safe?" where all schools in the region entered in a competition to design a Health and Safety Awareness campaign. The winning school received financial support to invest in preventative measures to guarantee safe conditions in their facilities. Promoting a Health and Safety culture in our local communities is not only key to prevent injuries and illnesses, but it also contributes to the development of a more conscious and healthier society for everyone.



Mining Rescue Brigade of Asturias visits Geocalci



Health and Safety Manager, Pelayo Iglesias, in the local school of Sangüesa.



Sangüesa students participated in the Company's contest "Are you safe?"



H&S Training

10 Hours training

for new employees on H&S manual
(2hrs. 5 employees)

+ 3 Hours training

in H&S manual for fieldwork works to one employee

Safe driving course (tecdrive)

8HRS. 13 EMPLOYEES



First Aid Course (Mutua Navarra)

2HRS. 5 EMPLOYEES

Programme for the improvement of the preventive culture based on "Human and Organisational Performance (HOP)" delivered by Prevencontrol.

Several modules:

- | | |
|----------------------------------|----------------------------|
| 1. Leadership management | 11hrs. 16 Employees |
| 2. Awareness middle management | 3hrs. 11 Employees |
| 3. Workers' awareness | 6hrs. 15 Employees |
| 4. Workshop hop | 3hrs. 9 Employees |
| 5. Operational learning workshop | 6hrs. 7 Employees |
| 6. Workshop "design thinking" | 3hrs. 6 Employees |

ZERO ACCIDENTS*

*Two minor incidents were registered of employees that were either travelling to or from work

A step further in Health and Safety management

During 2019, Geoalcali engaged Audinor, a specialised health and safety auditor with the aim of ensuring that all health and safety management systems and protocols are being considered. This audit was a voluntary measure the Company established in order to achieve best practices in an area which is key for the Company's success today and in the future.

The audit analysed both the procedures and systems in place today and also assessed areas of improvements in the future protocols that will be put in place in the next phases of the development of Muga.

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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 2019.

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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

Non-Executive Chairman (effective 23 May 2019, previously Non-Executive Director) and Acting Chief Executive Officer, BSc (Geology), Grad Dip Applied Finance

Mr. Crookes has over 30 years' experience in the resources and investments industries. He is a geologist by training having worked in the industry most recently as the Chief Geologist and Mining Manager of Ernest Henry Mining in Australia (now Glencore). Mr. Crookes most recently spent six years with EMR Capital as an Investment Director and prior to that, 12 years as an Executive Director in Macquarie Bank's Metals Energy Capital (MEC) Division where he managed all aspects of the Bank's principal investments in mining and metals companies as well as the

origination of numerous project Finance transactions. Mr. Crookes has extensive experience in Funds Management, deal origination, evaluation, structuring, and execution of investment entry and exits for both private and public resources companies in Australia and overseas. In the three years immediately before the end of the financial year, Mr. Crookes held two other directorships of listed companies (Chairman Black Rock Mining Ltd BKT:ASX, since October 2017; Executive Director Lithium Power International Ltd LPI:ASX, since October 2018).



Mr. Peter Albert

Managing Director and Chief Executive Officer, BSc (Hons), EMBA, FAusIMM, MIO3, CEng (resigned 31 January 2020)

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

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

Ms. Pauline Carr

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



Ms. Carr has over 30 years' commercial experience in management, corporate governance and compliance, mergers and acquisitions, investor and stakeholder relations and corporate restructures. She currently provides business improvement, compliance, risk management, project management and corporate governance solutions to executive management teams internationally. Prior to this, Ms. Carr held senior positions with Newmont Asia Pacific and ASX listed Normandy Mining Limited and worked for a number of years in the

oil and gas sector with Exxon Mobil. She sits on several Boards and is Chancellor of the University of South Australia. She is also Chairman of the South Australian Minerals and Energy Advisory Council. In the three years immediately before the end of the financial year, Ms. Carr held no other directorships of any listed companies.

Mr. Roger Davey

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



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

He is a Chartered Mining Engineer with over 45 years' experience in the international mining industry. Up to December 2010, he was an Assistant Director and the Senior Mining Engineer at N M Rothschild (London) in the Mining and Metals project finance team, where for 13 years he was responsible for the assessment of the technical risk associated with all the current and prospective project loans. Prior to this his experience covered the financing, development and operation of both underground and surface mining operations in gold and base metals at senior management and Director level in South America, Africa and the United Kingdom. He is fluent in Spanish.

His previous positions include Director, Vice president and General

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

Mr Davey is a graduate of the Cambridge 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).

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Mr. Jim Dietz

Independent Non-Executive Director, B.Eng (Chem), M.Eng (Chem)

Mr. Dietz has over 42 years' experience in the fertiliser, chemical and petroleum industries, primarily in senior operational roles. From 2000 until 2010, he was Chief Operating Officer of Potash Corporation of Saskatchewan ("PotashCorp"), the world's largest fertiliser company. Prior to that position, Mr. Dietz held a variety of other senior management roles, including President of Nitrogen, during his 17 year career with PotashCorp. During that time, Mr. Dietz was responsible for global operations as well as Safety, Health, and

Environment performance and Procurement. Mr. Dietz also represented PotashCorp on the Board of Directors of Arab Potash Company. Mr. Dietz is a Chemical Engineer and holds both a Masters and Bachelors designation from the Ohio State University. In the three years immediately before the end of the financial year, Mr. Dietz held no other directorships of any listed companies.



Mr. Brian Jamieson

Non-Executive Director, FCA, FAICD

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

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

Mr. Jamieson was a Non-Executive Director of ASX listed Oxiana/OZ Minerals Limited from 2005 to 2015 and served as Chairman of Audit Risk and Compliance, Nomination and Remuneration, and Due Diligence Committees. He was a Non-Executive Director of Tatts Group Limited from 2005 to December 2017 and served as the Chairman of Audit and Risk Committee, Chairman of the Due Diligence Committee and member of the Remuneration Committee. He was also a Non-Executive Director of ASX listed Tigers Realm Coal from 2010 to 2015 and chaired various committees. Mr Jamieson retired from the board of Mesoblast Limited on 31

March 2019.

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. Isaac Querub

Independent Non-Executive Director

Mr Querub, Master of Law and Business Administration (ICADE / Universidad Pontificia de Comillas), has extensive experience in the primary sector. He was CEO of Glencore España, a company dedicated to the trading of crude oil, refined petroleum products, nonferrous metals and minerals, coal and cereals from 1989 to 2003. He was also a member of the Asturiana de Zinc Council, CEO of Emed Mining (currently Atalaya Mining) from 2012 to 2014 and is currently a partner and member of the board of Unimot in Poland, partner

of Bluequest Resources AG in Switzerland, partner of Moka Consulting SL and partner of Andria Real Estate Investment in Spain. He is the patron of many organisations and a member of the Governing Council at the University of Tel Aviv.



COMPANY SECRETARY

Mr. Donald Stephens, BA (Acc), CA

Mr. Stephens has over 25 years' experience in the accounting, mining and services industries, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a Chartered Accountant and corporate adviser specialising in small cap ASX listed entities.

Mr. Stephens is a director of G Petrathem Limited. Additionally, he is Company Secretary of Petrathem 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).

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Board Committees

Remuneration and Nomination Committee

The principal purpose of the Committee is to assist the Board in fulfilling its governance and oversight responsibilities in relation to remuneration practices so that they:

- Link rewards to the creation of value for shareholders;
- Facilitate operational excellence by attracting and retaining talent;
- Fairly and responsibly reward individuals having regard to individual and Highfield targets and performance as well as industry remuneration conditions; and
- Comply with applicable regulatory obligations.

In addition, the Committee oversees selected nomination activities so that boards within the Highfield Group comprise individuals who are best able to discharge the responsibilities of directors having regard to the law and excellence in governance standards.

The members of the Remuneration and Nomination Committee are Ms. Pauline Carr (Chairman), Mr. Richard Crookes and Mr. Jim Dietz.

Audit, Business Risk and Compliance Committee

The principle purpose of the Committee is to assist the Board in fulfilling its governance and oversight responsibilities relating to:

- The integrity of financial accounting practices and reporting;
- Risk management;
- Internal control framework and internal audit;
- External audit function; and
- Compliance with the Corporations Act, ASX Listing Rules and the ASX Corporate Governance and Principles.

The members of the Audit, Business Risk and Compliance Committee are Ms. Pauline Carr (Chairman), Mr. Brian Jamieson and Mr. Roger Davey. Mr. Roger Davey joined the Committee effective 1 July 2019 following Mr. Richard Crookes's appointment as Chairman on 23 May 2019.

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 \$1.29 each on or before 30 Jun 2021
Richard Crookes	-	1,000,000	-
Pauline Carr	30,000	-	-
Roger Davey	-	-	1,000,000
Jim Dietz	50,000	-	-
Brian Jamieson	-	-	1,000,000
Isaac Querub	-	-	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 2019 was \$7,526,084 (year ended 31 December 2018: \$4,229,832).

Dividends

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

Corporate Structure

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

Nature of Operations and Principal Activities

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

Review of Operations

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

Muga Project and Vipasca Project

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

The Muga Project Update in October 2018 also confirmed the strategic importance of Vipasca as a potential extension of the Muga Project. The Vipasca Project previously included the Vipasca permit area and the Borneau permit area to the west of the Vipasca permit. In February 2019 the Company relinquished the less prospective tenement of Borneau to focus on the higher potential Vipasca permit located adjacent to the Muga Project. Following this change the Vipasca permit, which covers approximately 27km², is now reported with the Muga Project. The Vipasca permit is highly prospective for economic potash mineralisation, with a primary focus on the deeper, higher grade, P1 and P2 potash horizons.

As reported in its September Quarterly Activities Report of the 14 October 2019, the Company released assay analysis for holes V18-01, V18-02 and V18-04¹ at Vipasca. The assay results for holes V18-01 and V18-02 were positive and

confirmed the presence of potash at good grades, identifying the anticipated potash seams in the area and confirming the extension of the deposit towards the north west of Vipasca. V18-02 confirmed the continuity of the Vipasca deposit and that the mineralisation remains open towards the West. Specifically, V18-02 intersected a total of 37 metres of potash mineralisation including:

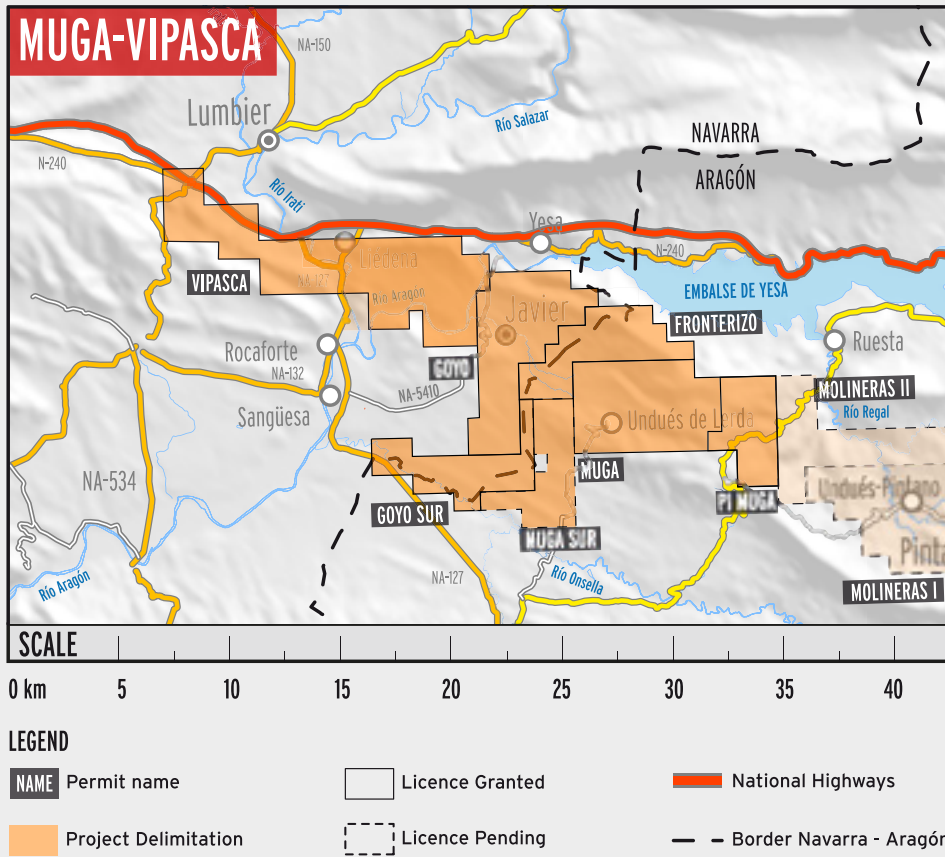
- 4.8 metres at an average grade of 15.25% K₂O from 996 metres;
- 2.4 metres at an average grade of 14.18% K₂O from 1119 metres; and
- 8.1 metres at an average grade of 12.95% K₂O from 1139 metres.

V18-01 intersected a total of 1.8 metres of potash mineralization at 9.32% K₂O, confirming the continuity of the mineralisation towards the north-eastern edge of the Vipasca investigation permit.

The drilling programme at Vipasca continued during the quarter ended 31 December 2019, with the completion of drill hole V18-05. Initial visual inspection of the core from this drill hole indicates continuity of the evaporite sequence between the Muga Project and Vipasca Permit.

¹Refer to relevant ASX announcement 10 October 2019, "Encouraging drill hole completed at Vipasca". The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement.

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Muga Project Approvals Process

As reported on 6 June 2019, the Company received a positive Declaración de Impacto Ambiental ("DIA") in respect of the Muga Project. This positive DIA means the Company has received the key environmental permit required to move the Muga Project forward.

The Company continues to have constructive discussions with the authorities with regards to the Mining Concession, following the Company's submission on 13 March 2020 of the required documentation, which was announced on 16 March 2020. The timing for the receipt of the three Mining Concessions from the Madrid, Navarra and Aragon mining authorities cannot be confirmed with a definitive date, although the positive working relationship between the Company and the three mining authorities should assist in expediting these approvals.

The work on other permits for construction commencement continues in parallel with the Mining Concession process. In the fourth quarter of 2019 the Company submitted its application for the relevant permits to the local water authority the Confederación Hidrográfica del Ebro ("CHE"). These permits are related to deviation of small rivers and other preliminary construction work associated with water supply to the mine site. In addition, in the same quarter the Company submitted all relevant power supply permit documentation to the Ministries of Industry and is progressing the permitting and authorisations required for both the temporary and permanent site electrical supplies. The Company is now awaiting the issue of the administrative approvals for the power supply prior to applying for the necessary construction permits.

Muga Project Technical Update

In its March 2019 Quarterly Activities Report the Company reported an updated Ore Reserves estimate for Muga, providing additional certainty to the Muga Project Update and confirming the technical and economic validity of the Project. The Proved and Probable Ore Reserve was derived from the Measured and Indicated Mineral Resource released on 10 October 2018¹ and comprises 108.7 million tonnes at 10.2% K₂O, with a Proved Ore Reserve of 42.9 million tonnes at 10.2% K₂O and a Probable Ore Reserve of 65.8 million tonnes at 10.2% K₂O.

In its Quarterly Activities Report for the quarter ended 30 September 2019, as well as the further clarifying information in relation to the Muga Project released on 21 November 2019, the Company provided an update on the improvements in terms of better technical and commercial outcomes, resulting from detailed test work and basic design undertaken by German engineering specialists GEA Messo GmbH and K-UTEC. Barcelona-based Grupo IDP has commenced detailed design engineering for the process plant and will work closely with engineering specialists, GEA Messo GmbH and K-UTEC, to similarly develop the engineering for a timely construction start.

As reported, engineering development continued to advance in line with the Project programme during the fourth quarter, meaning the bulk of the detailed engineering work is now awarded. K-Utec AG Salt Technologies continues to progress the design for the backfilling storage and placement systems and will perform further test work to aid in the optimisation of these systems prior to design work being carried out.

¹Refer to relevant ASX announcement 10 October 2018, "Updated Mineral Resource Estimate – Muga Project". The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed.

Sales and Marketing Update

On 11 September 2019 the Company announced the signing of a MOU for offtake from the Muga Mine with Ameropa AG for the sale of up to 250,000 tonnes per annum of MOP. Ameropa is a Swiss based agri-business highly experienced in global production, logistics, marketing and distribution.

After the end of 2019 but before the release of this report the Company also released on 6 February 2020 the signing of a MOU for the offtake of a further 300,000 tonnes per annum of MOP with Keytrade AG. Keytrade is a large Swiss based agri-trader that was first established in 1997. Keytrade has substantial experience working with all types of suppliers, distributors, retailers and end-users across all fertiliser products and is active across the globe.

Both MOUs will provide Highfield with an enhanced understanding of the MOP market and logistical expertise.

Project Financing

The Company has continued to update its project finance syndicate with respect to the financing facility for Muga since receipt of the positive DIA. Highfield remains confident of securing the necessary debt and equity financing in due course, to support a final investment decision and the commencement of construction.

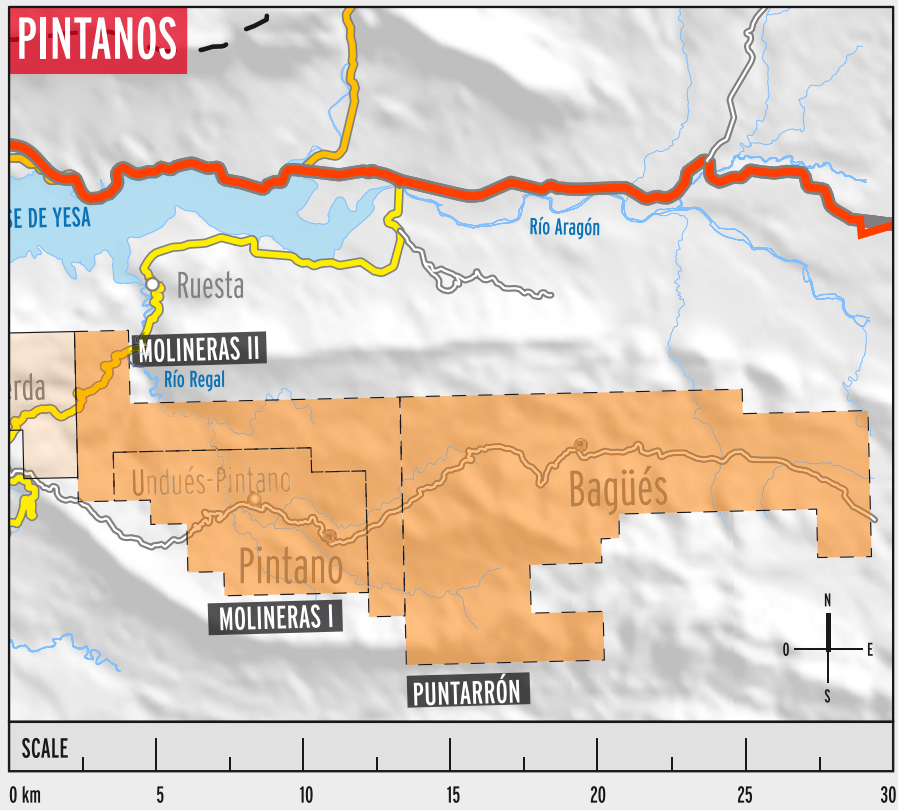
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Pintanos Project

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

In its Quarterly Activities Report for the quarter ended 30 September 2019 released on 14 October 2020, the Company reported that it had responded to all comments received during the consultation period for the award of the drilling permit for Molineras 2, and is now waiting for the award of the permit.



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Sierra del Perdón Project

Highfield's 100% owned Sierra del Perdón ("SdP") Project is located south east of Pamplona and covers approximately 120km². Sierra del Perdón is a brownfield project which previously hosted two potash mines operating from the 1960s until the late 1990s producing nearly 500,000 tonnes of K60 MOP per annum. The evaporite was historically mined primarily for sylvinite but also for carnallite, before the mine closure in 1996 due to relatively low potash prices of around US\$100/tonne. There is potential for potash exploitation in new, unmined areas in the Sierra del Perdón Project area.

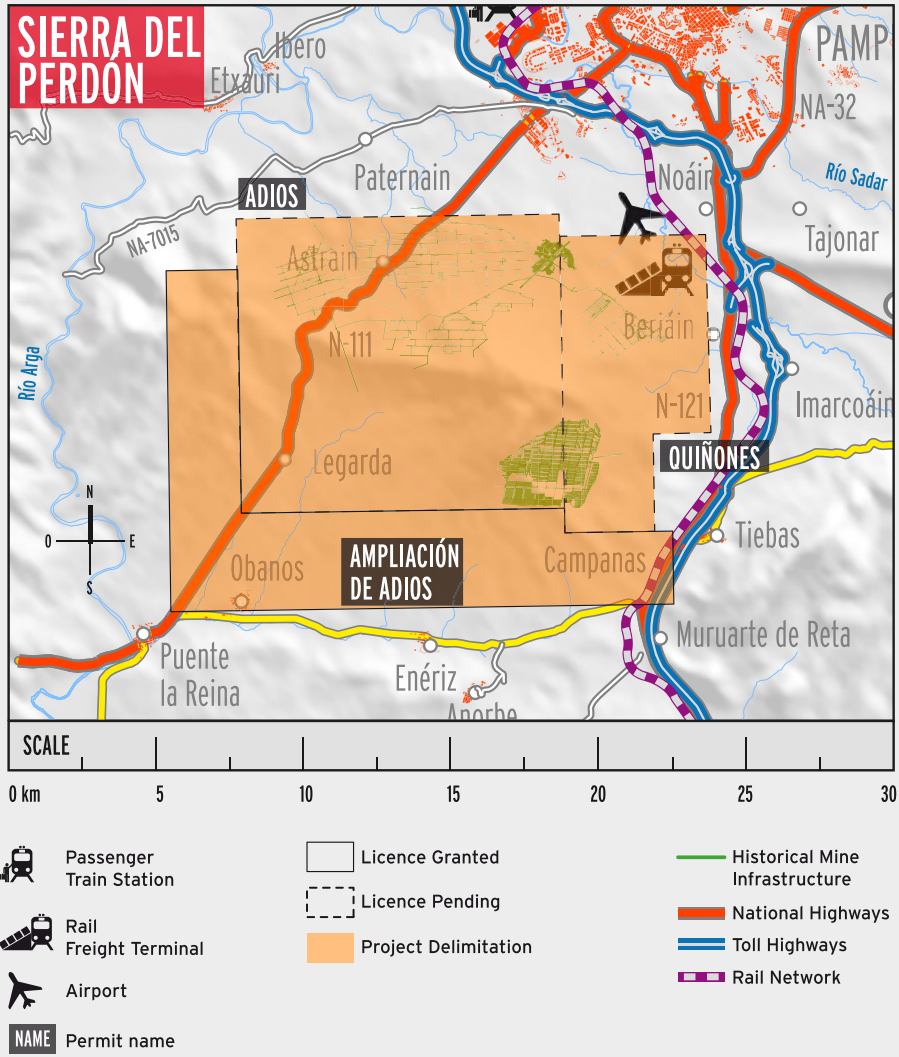
The Company was advised in the fourth quarter of 2018 that the second three year extension application for the Adiós and Quiñones permits within the Sierra del Perdón tenement area had been rejected by the mining department of the Government of Navarra. The Company has obtained legal advice and is progressing an appeal process with regards to this decision.

The timing of the appeal process continues to remain uncertain, nonetheless, the Company remains confident of a positive resolution in due course. During ongoing discussions the authorities have confirmed that they are continuing to consider the appeal, but no conclusion has yet

been reached. Substantive expenditure on further exploration for and evaluation of mineral resources in the Adiós and Quiñones permits is planned subsequent to a positive outcome to the appeal.

The Company has carefully considered the facts and circumstances pertaining to the rejection, its discussions with the authorities, and the legal advice received. It has concluded that the continued lack of a resolution to the appeal is not a reflection on the merits of the appeal, nor does it represent a significant change with an adverse effect on the entity. The Company has concluded that the Adiós and Quiñones permits are expected to be renewed, in the form of an extension, on the basis that it has strong arguments that will result in a positive outcome to the appeal lodged on 16 November 2018.

The drill hole AA-01 carried out during the fourth quarter at Ampliación de Adiós Investigation Permit reached 422 meters. The drill hole intersected the typical potash sequence of the Sierra del Perdón area. The drill hole crossed the Carnallite member on the top of the sequence and the Sylvinite member at the bottom. The assay result of this drill hole will be released to the market when available.



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Izaga Project

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

In its Quarterly Activities Report for the quarter ended 31 December 2019 released on 22 January 2020, the Company

reported that a drill hole in that quarter was less prospective than expected. The Company has therefore relinquished the permit and has recorded an impairment of \$0.5m in its financial statements for the year ended 31 December 2019 in respect of deferred exploration costs.



Geoalcali Foundation

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

Projects

The Company's community engagement programme continues to be well received. The Geoalcali Foundation supports and finances projects related to its four pillars: Quality Education, Social Integration, Sustainable Communities, and Protection of the Environment.

The Geoalcali Foundation currently provides ongoing support to over 10 community projects and since its establishment in September 2014 has been involved in more than 150 different projects with town halls, social associations, foundations and scientific/agricultural organisations. The activities of the Foundation are very well known and appreciated by the local community.

Corporate

Directors

Mr. Peter Albert stepped down from his role as Chief Executive and Managing Director, and from the Board, on 31 January 2020. The Company engaged a global search firm and is well advanced in its international recruitment process. Board Chairman, Mr. Richard Crookes, is the Company's Acting CEO until a new CEO commences.



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 2019. Rounding differences may occur.

Muga Project

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

An updated Ore Reserve for the Muga Project was calculated as at December 2018 and released to the ASX on 22 January 2019¹. The Company considers this Ore Reserve to be accurate as at 31 December 2019.

Table 1: Muga Ore Reserves Summary

	31 December 2019		31 December 2018		31 December 2017	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Proved	42.9	10.2%	42.9	10.2%	81.6	11.7%
Probable	65.8	10.2%	65.8	10.2%	172.1	11.4%
Total Proved & Probable	108.7	10.2%	108.7	10.2%	253.7	11.5%

Highfield released an updated JORC-compliant Mineral Resource Estimate ("MRE") to the ASX on 10 October 2018². The Company considers this MRE to be accurate as at 31 December 2019. The MRE includes all Ore Reserves shown above in Table 1.

Table 2: Muga Mineral Resources Summary

	31 December 2019		31 December 2018		31 December 2017	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	91.8	12.4%	91.8	12.4%	75.1	13.6%
Indicated	143.0	12.1%	143.0	12.1%	149.4	13.3%
Total Measured & Indicated	234.8	12.3%	234.8	12.3%	224.5	13.4%
Inferred	32.6	12.9%	32.6	12.9%	39.2	13.8%
Total	267.4	12.4%	267.4	12.4%	263.7	13.5%

¹Refer to relevant ASX announcement 22 January 2019, "Updated Ore Reserve Estimate – Muga Project". The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed.

²Refer to relevant ASX announcement 10 October 2018, "Updated Mineral Resource Estimate – Muga Project". The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed.

Sierra del Perdón Project

Highfield released a maiden MRE for the Sierra del Perdón Project to the ASX on 7 April 2015¹. The Company considers this MRE to be accurate as at 31 December 2019.

Table 3: Sierra del Perdón Mineral Resources Summary

	31 December 2019		31 December 2018		31 December 2017	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	-	-	-	-	-	-
Indicated	41.8	10.7%	41.8	10.7%	41.8	10.7%
Total Measured & Indicated	41.8	10.7%	41.8	10.7%	41.8	10.7%
Inferred	40.3	10.5%	40.3	10.5%	40.3	10.5%
Total	82.1	10.6%	82.1	10.6%	82.1	10.6%

Pintanos Project

Highfield released a maiden MRE for the Pintanos Project to the ASX on 20 November 2013. During the year ended 30 June 2017, two drill holes were completed at the Pintanos Project (see the Company's ASX Quarterly Activities Report released on 24 April 2017). The results of both holes were unfavourable compared with the block model which informed the maiden Mineral Resource Estimate 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 2017², as summarised in Table 4 below. The Company continues to believe the exploration potential for Pintanos remains strong and will continue exploration of the Project.

The Company considers this MRE to be accurate as at 31 December 2019.

Table 4: Pintanos Mineral Resources Summary

	31 December 2019		31 December 2018		31 December 2017	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	-	-	-	-	-	-
Indicated	-	-	-	-	-	-
Total Measured & Indicated	-	-	-	-	-	-
Inferred	70.7	11.9%	70.7	11.9%	70.7	11.9%
Total	70.7	11.9%	70.7	11.9%	70.7	11.9%

¹Refer to relevant ASX announcement 7 April 2015, "Maiden Resource Estimate for Second Project". The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed.

²Refer to relevant ASX announcement 28 September 2017, "Annual Report 2017". The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed.

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 2019		31 December 2018		31 December 2017	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Proved	42.9	10.2%	42.9	10.2%	81.6	11.7%
Probable	65.8	10.2%	65.8	10.2%	172.1	11.4%
Total Proved & Probable	108.7	10.2%	108.7	10.2%	253.7	11.5%

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

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

	31 December 2019		31 December 2018		31 December 2017	
	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)	Tonnes In Place (Mt)	Grade K ₂ O (%)
Measured	91.8	12.4%	91.8	12.4%	75.1	13.6%
Indicated	184.8	11.9%	184.8	11.9%	191.2	12.7%
Total Measured & Indicated	276.6	12.0%	276.6	12.0%	266.3	13.0%
Inferred	143.6	11.7%	143.6	11.7%	150.2	12.0%
Total	420.2	11.9%	420.2	11.9%	416.5	12.6%

Corporate Governance – Mineral Resources and Ore Reserves Calculations

Due to the nature, stage and size of the Company's existing operations, the Company has historically concluded that there would be insufficient efficiencies or additional governance benefits gained by establishing a separate mineral resources and ore reserves committee responsible for reviewing and monitoring the Company's processes for calculating mineral resources and ore reserves and for ensuring that the appropriate internal controls are applied to such

calculations. However, the establishment of such a committee, at an appropriate time, remains under consideration. In the meantime, the Company continues to ensure that all drill results and Mineral Resource calculations are validated by a competent, senior geologist and are reviewed and verified independently by a qualified person. In addition, the existing composition of the Highfield Board of Directors includes a qualified geologist.

Significant Changes in the State of Affairs

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

Significant Events After the Reporting Date

An outbreak of a new strain of coronavirus, Covid-19, emerged after the end of the reporting period and has caused considerable challenges and disruption to global equity markets. While there was no material effect on the Financial Statements for the year ended 31 December 2019, the coronavirus outbreak is still evolving and potential future impacts are unable to be quantified. The Group is in the exploration and evaluation phase and has not yet commenced development activities.

Likely Developments and Expected Results of Operations

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial periods, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

Environmental Regulations and Performance

The operations of the Company are presently subject to Environmental Regulation under the laws of the Commonwealth of Australia and of Spain. The Company has been at all times in full environmental compliance with the conditions of its licences.

Share Options

As at the date of this report there were 22,836,150 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
3,000,000	\$1.29	30 June 2021
1,000,000	\$0.83	30 June 2022
3,221,170	\$0.83	31 December 2022
1,818,171	\$0.83	31 December 2023
1,622,191	\$0.83	31 December 2024
4,832,221	\$1.34	30 June 2025
7,342,397	\$1.29	31 December 2025
22,836,150		

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:

- 1,000,000 options with an exercise price of \$0.83, expiring on 30 June 2022
- 3,221,170 options with an exercise price of \$0.83, expiring on 31 December 2022
- 2,779,471 options with an exercise price of \$0.83, expiring on 31 December 2023
- 2,479,867 options with an exercise price of \$0.83, expiring on 31 December 2024

The following options lapsed during the financial year:

- 6,850,000 options with an exercise price of \$1.85, expiring on 30 June 2024
- 4,550,000 options with an exercise price of \$2.50, expiring on 30 June 2019
- 17,175,000 options with an exercise price of \$2.00, expiring on 30 June 2019

The following options were cancelled during the financial year:

- 961,300 options with an exercise price of \$0.83, expiring on 31 December 2023
- 857,676 options with an exercise price of \$0.83, expiring on 31 December 2024

Indemnification and Insurance of Directors and Officers

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act 2001. The indemnification specifically excludes willful acts of negligence.

The Company entered into insurance policies in respect of Directors' and Officers' Liability Insurance contracts for

current Directors and officers of the Company and of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

Directors' Meetings

The numbers of meetings of Directors and Committees held during the financial year and the number of meetings attended by each Director were as follows:

Director	Directors' Meetings		Remuneration and Nomination Committee		Audit, Business Risk and Compliance Committee	
	A	B	A	B	A	B
Derek Carter	5	5	3	2*	2	1
Peter Albert	10	10	5	4*	6	6*
Pauline Carr	10	9	5	5	6	6
Richard Crookes	10	10	5	5	6	5
Roger Davey	10	9	5	2*	6	5
Jim Dietz	10	10	5	5	6	3*
Owen Hegarty	5	3	3	1*	2	1*
Brian Jamieson	10	9	5	3*	6	5
Isaac Querub	10	9	5	-	6	1*

A number of meetings held during the time the Director held office.

B number of meetings attended. Note that Directors may attend Committee Meetings without being a member of that Committee.

* Attendance at meeting by invitation.

Proceedings on Behalf of Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial year.

Corporate Governance

In recognising the need for robust standards of corporate behaviour and accountability, the Directors of Highfield support and adhere to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council and considers that Highfield is in compliance to the extent possible with those recommendations which are of importance and add value to the commercial operation of a listed exploration and resources development company.

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



Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires the Company's auditor to provide the Directors of Highfield with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 112 of the annual report. As shown in note 4, non-audit services totaling \$6,000 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 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Details of Directors and Other Key Management Personnel

Directors	
Derek Carter	Independent Non-Executive Chairman (resigned 23 May 2019)
Peter Albert	Managing Director and Chief Executive Officer (resigned 31 January 2020)
Pauline Carr	Independent Non-Executive Director
Richard Crookes	Non-Executive Chairman (appointed 23 May 2019) and Acting Chief Executive Officer
Roger Davey	Independent Non-Executive Director
Jim Dietz	Independent Non-Executive Director
Owen Hegarthy	Non-Executive Director (resigned 23 May 2019)
Brian Jamieson	Non-Executive Director
Isaac Querub	Independent Non-Executive Director
Key Management	
Mike Norris	Chief Financial Officer

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives reporting to the Managing Director. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is fair and competitive in attracting, retaining and motivating quality people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial circumstances and performance.

As part of its suite of corporate governance policies and procedures, the Board has adopted a formal Remuneration and Nomination Committee Charter and Remuneration Policy.

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

Level	Short Term Incentive	Long Term Incentive ¹
Managing Director	Up to 80% of fixed remuneration 100% Corporate KPIs	Up to 100% of fixed remuneration in the form of options subject to performance hurdles or vesting conditions
Senior executives	Up to 60% of fixed remuneration (of which up to 60% is Corporate KPIs and the remainder Personal KPIs)	Up to 75% of fixed remuneration in the form of options subject to performance hurdles or 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 will undertake a market benchmarking review of executive positions at least once every three years to ensure that the Company's remuneration offerings remain competitive with its contemporary peer group.

Use of Remuneration Consultants

The Board and the Remuneration and Nomination Committee seek and consider advice from independent remuneration consultants to ensure that they have relevant information to the determination of all facets of remuneration relating to the KMP and senior executives. The engagement of remuneration consultants is governed by the Remuneration and Nomination Committee Charter which sets the protocols and restrictions around the interaction between management and the consultants with a view to minimising the risk of any undue influence occurring and ensuring compliance with the Corporations Act 2001 requirements.

The advice and recommendations of consultants are used by the Board and Committee as a guide in formulating remuneration and policy. Decisions are made by the Board after its own consideration of the issues but having regard to the advice of the Committee and consultants.

Review of KMP Remuneration

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

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

Components of Remuneration of Other KMP and Senior Executives

Total Fixed Remuneration ("TFR")	At-risk remuneration	
	Short Term Incentive ("STI")	Long Term Incentive ("LTI")
Base remuneration that reflects the job size, role, responsibilities and professional competence of each executive, according to their knowledge, experience and accountabilities and considering external market relativities.	<p>Variable, performance based, annual cash incentive plan designed to reward high performance against challenging, clearly defined and measurable objectives that are based on a mix of Corporate and Personal KPI targets that are set to incentivise superior performance.</p> <p>The Board has the flexibility to pay the STI in shares if it deems this is a more appropriate mechanism as befits the Company's status at different junctures in time.</p>	The equity component of the at-risk reward opportunity, linked to the creation of shareholder value and 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.

Non-Executive Director ("NED") Remuneration

On appointment to the Board, each NED enters into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director.

NED remuneration is reviewed periodically by the Board. NEDs receive a fixed fee remuneration consisting of an annual base Board fee with additional fees for any committee positions they hold. From time to time and in accordance with the Constitution the Board may also award non-recurring extra exertion amounts where it determines such payments are warranted. The Board has determined that Mr. Crookes receive an extra exertion amount of \$30,000 per month as Acting Chief Executive Officer.

The aggregate remuneration for NEDs has been set at an amount not to exceed \$1,000,000 per annum after the Shareholders' approval at the general meeting held on 24 May 2018. This amount may only be increased with the approval of Shareholders at a general meeting.

Details of NED Remuneration

Fees	Chairman per annum \$	Member per annum \$
Board	120,000	60,000
Remuneration and Nomination Committee	18,000	9,000
Audit, Business Risk and Compliance Committee	18,000	9,000

All NEDs (including the Chairman) are entitled to be reimbursed for travelling and other expenses properly incurred by them in attending any meeting or otherwise in connection with the business or affairs of the Company.

Key Performance Indicators for Short Term Incentives

Key Performance Indicators ("KPIs") are aligned to reflect corporate and strategic objectives. KPIs are reviewed by the Company's Remuneration and Nomination Committee and approved by the Board. The KPIs of the Managing Director and the senior executives reporting directly to him are also reviewed by the Committee and approved by the Board. They typically cover targets in respect of safety, permitting, finance, project delivery, investor relations and social responsibility. In addition the senior executives also have personal KPIs appropriate to their areas of responsibility.

The KPIs for the year ended 31 December 2019 were assessed in accordance with the parameters set out in the Remuneration Policy section above. The STI for the Managing Director was based on 100% for corporate and strategic KPIs. The STIs for other senior executives were based on a weighting of up to 60% for corporate and strategic KPIs and the remaining percentage for personal KPIs.

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

Summary Corporate and Strategic KPI Performance

For the year ended 31 December 2019 the STI corporate and strategic KPI performance outcomes for KMPs were assessed as follows:

KPI Category	Weighting for 2019 %	2019 Outcome %
Safety, Health, Environmental and Community	10	10
Financials	25	-
Project Progress	25	-
Approvals	40	-
Total	100	10

Short Term Incentive Award

The remuneration of the Managing Director, Peter Albert, and the Chief Financial Officer, Mike Norris, for the financial year included cash bonuses in respect of meeting STI KPIs agreed by the Board. The STI awards relate to the achievement of KPIs for the year ended 31 December 2019 for which the bonus cost was approved by the Board for payment in April 2020. The cost of the achievements of KPIs for the year ended 31 December 2019 is included as an expense in the financial statements for the year ended 31 December 2019.

LTI Performance and Outcomes for 2019

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.

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 2019 are as below:

Year ended 31 December 2019	Short term				Options	Post-employment		Total \$	Performance related %
	Base Salary \$	Fees \$	STI Awards ¹ \$	Other Benefits ² \$	Share- based Payments \$	Super- annuation \$	Prescribed Benefits \$		
Directors									
Derek Carter (resigned 23 May 2019)	-	49,087	-	-	-	4,663	-	53,750	-
Peter Albert (resigned 31 January 2020)	716,147	-	57,512	274,904	282,527	-	-	1,331,090	21%
Pauline Carr	-	96,000	-	-	-	-	-	96,000	-
Richard Crookes	-	102,500	-	-	232,200	-	-	334,700	69%
Roger Davey	-	64,500	-	-	-	-	-	64,500	-
Jim Dietz	-	69,000	-	-	-	-	-	69,000	-
Owen Hegarty (resigned 23 May 2019)	-	25,000	-	-	-	-	-	25,000	-
Brian Jamieson	-	63,014	-	-	-	5,986	-	69,000	-
Isaac Querub	-	60,000	-	-	-	-	-	60,000	-
Key Management									
Mike Norris	430,532	-	91,370	123,959	596,871	-	-	1,242,732	48%
	1,146,679	529,101	148,882	398,863	1,111,598	10,649	-	3,345,772	33%

¹ The STI awards relate to the achievement of KPIs for the year ended 31 December 2019 for which the bonus cost was approved by the Board for payment in April 2020. The cost of the STI award is included in the financial statements for the year ended 31 December 2019.

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

Details of remuneration for the year ended 31 December 2018 are shown below:

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

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

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

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

⁴ Benefit relates to paid private accommodation.

Shareholdings of Directors and Other Key Management Personnel

The number of shares in the Company held by Directors and other key management personnel of the Group, including their personally related parties, is set out below. There were no shares granted as compensation during the year ended 31 December 2019.

Year ended 31 December 2019	Balance at the start of the period	Granted as compensation during the period	On exercise of share options	Other changes during the period ¹	Balance at the end of the period
Directors					
Derek Carter (resigned 23 May 2019)	9,221,504	-	-	(9,221,504)	-
Peter Albert (resigned 31 January 2020)	78,000	-	-	-	78,000
Pauline Carr	30,000	-	-	-	30,000
Richard Crookes	-	-	-	-	-
Roger Davey	-	-	-	-	-
Jim Dietz	50,000	-	-	-	50,000
Owen Hegarty (resigned 23 May 2019)	-	-	-	-	-
Brian Jamieson	-	-	-	-	-
Isaac Querub	-	-	-	-	-
Key Management					
Mike Norris	-	-	-	-	-

¹ The other change during the period represents an adjustment to exclude shares held by Derek Carter as he was not a Director at the end of the period.

All equity transactions with Directors and other key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Option holdings of Directors and Other Key Management Personnel

The number of options over ordinary shares in the Company held by each Director and other key management personnel of the Group, including their personally related parties, is set out below:

Year ended 31 December 2019	Balance at the start of the period	Granted as compensation during the period	Exercised during the period	Other changes during the period ¹	Cancelled ²	Balance at the end of the period	Exercisable	Not exercisable
Directors								
Derek Carter (resigned 23 May 2019)	1,000,000	-	-	(1,000,000)	-	-	-	-
Peter Albert (resigned 31 January 2020)	7,812,941	2,933,040	-	(3,000,000)	(1,818,976)	5,927,005	1,114,064	4,812,941
Pauline Carr	1,000,000	-	-	(1,000,000)	-	-	-	-
Richard Crookes	-	1,000,000	-	-	-	1,000,000	1,000,000	-
Roger Davey	1,000,000	-	-	-	-	1,000,000	1,000,000	-
Jim Dietz	1,000,000	-	-	(1,000,000)	-	-	-	-
Owen Hegarty (resigned 23 May 2019)	-	-	-	-	-	-	-	-
Brian Jamieson	1,000,000	-	-	-	-	-1,000,000	1,000,000	-
Isaac Querub	2,000,000	-	-	(1,000,000)	-	1,000,000	1,000,000	-
Key Management								
Mike Norris	4,592,481	1,360,737	-	(2,450,000)	-	3,503,218	516,852	2,986,366

¹ Other changes during the period represent expiry of options.

² Options cancelled reflect the cancellation of options granted to Mr. Albert during the period which had a vesting condition of continuing employment on 31 December 2020 and 31 December 2021. Mr. Albert's resignation on 31 January 2020 means that this vesting condition will not be fulfilled.

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

Options granted as part of remuneration have been valued using the binomial method (which is derived from the Black-Scholes option pricing model but is considered more suitable for companies which do not pay dividends) taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

Options granted under the Company's employee share option plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 18.

Transactions with Directors and Other Key Management Personnel

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no transactions with key management personnel for the year ended 31 December 2019 other than those disclosed above.

Options Affecting Remuneration

The terms and conditions of options granted during the year ended 31 December 2019 affecting remuneration in the current or future reporting periods are as follows:

	Grant date	Number granted	Expiry date/last exercise date	Fair value per option at grant date	Exercise price per option	Value of options at grant date ¹	Number of options vested	Vested	Max value yet to vest
Directors									
Derek Carter (resigned 23 May 2019)	-	-	-	-	-	-	-	-	-
Peter Albert (resigned 31 January 2020)	23/05/19	1,114,064	31/12/22	\$0.2536	\$0.83	\$282,527	1,114,064	\$282,527	-
	23/05/19	961,300	31/12/23	\$0.2940	\$0.83	\$282,622	-	-	- ²
	23/05/19	857,676	31/12/24	\$0.3219	\$0.83	\$276,086	-	-	- ²
Pauline Carr	-	-	-	-	-	-	-	-	-
Richard Crookes	23/05/19	1,000,000	30/06/22	\$0.2322	\$0.83	\$232,200	1,000,000	\$232,200	-
Roger Davey	-	-	-	-	-	-	-	-	-
Jim Dietz	-	-	-	-	-	-	-	-	-
Owen Hegarty (resigned 23 May 2019)	-	-	-	-	-	-	-	-	-
Brian Jamieson	-	-	-	-	-	-	-	-	-
Isaac Querub	-	-	-	-	-	-	-	-	-
Key Management									
Mike Norris	21/06/19	516,852	31/12/22	\$0.4011	\$0.83	\$207,309	516,852	\$207,239	-
	21/06/19	445,980	31/12/23	\$0.4439	\$0.83	\$197,971	-	-	\$197,971
	21/06/19	397,905	31/12/24	\$0.4815	\$0.83	\$191,591	-	-	\$191,591
		5,293,777				\$1,670,306	2,630,916	\$721,966	\$389,562

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

² These options were cancelled after the end of the period because Mr. Albert's resignation on 31 January 2020 means their vesting condition of continuing employment on 31 December 2020 and 31 December 2021 will not be fulfilled.

KMP employment arrangements

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

Executive Director

Mr. Albert was employed under an employment agreement which had no fixed term. The notice period was three months. Depending on the reason for a termination of his employment, Mr. Albert may have been entitled to severance benefits of up to 12 months' cash remuneration (based on an average of his previous annual fixed remuneration), or other minimum severance benefits set by Spanish law, as applicable. Mr. Albert was not entitled to severance benefits nor were any paid as a result of his resignation from the Company.

With effect from 1 January 2018 the weighting of Mr. Albert's STI was changed from 75% for corporate and strategic KPIs and 25% for personal KPIs to 100% for corporate and strategic KPIs. During the year ended 31 December 2019 Mr. Albert's total fixed remuneration was €444,834 (\$716,147). During the year Mr. Albert's base salary increased by 2.5% from €434,868 (\$686,655) to €445,740, equal to \$713,789 at the year end exchange rate. No changes were made to Mr. Albert's short term or long term variable performance based incentives during the year ended 31 December 2019.

Non-Executive Directors

On appointment to the Board, each Non-Executive Director enters into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director. The aggregate remuneration for Non-Executive Directors is set at an amount not to exceed \$1,000,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting. The period of appointment is in accordance with the Company's Constitution and the Corporations Act 2001, including the provisions of the constitution which relate to the rotation of Directors.

Other Key Management Personnel

Mr. Norris is employed under an employment agreement which has no fixed term. The notice period is three months. Depending on the reason for a termination of his employment, Mr. Norris may be entitled to a payment equal to three months of his annual fixed salary. During the year ended 31 December 2019 Mr. Norris's base salary increased from €260,000 (\$410,540) to €269,000 (\$430,532). In addition, the Board determined that Mr. Norris be provided with a €5,000 per month in-country residency allowance, effective 1 June 2019. No other changes were made to Mr. Norris's short term or long term variable performance based incentives during the year ended 31 December 2019.

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 2019 (year ended 31 December 2018: nil).

Voting and Comments Made at the Company's May 2019 Annual General Meeting

Highfield Resources Limited received more than 87.65% of "yes" votes on its remuneration report for the financial year ended 31 December 2018. The Company did not receive any specific feedback at the AGM or during the current period on its remuneration practices.

Performance Measured by Loss per Share

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

	Year ended 31 December 2019	Year ended 31 December 2018	Six months ended 31 December 2017	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015
Loss per share (cents)	(2.28)	(1.28)	(0.14)	(2.22)	(3.42)	(4.38)
Share price (at period end)	\$0.68	\$0.64	\$1.03	\$0.96	\$1.38	\$1.48
Share price High for the reporting period	\$1.01	\$1.13	\$1.20	\$1.49	\$2.04	\$2.08
Share price Low for the reporting period	\$0.57	\$0.48	\$0.82	\$0.90	\$1.03	\$0.52

End of Audited Remuneration Report

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



Richard Crookes

Chairman and Acting Chief Executive Officer
27 March 2020

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Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

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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 2019

	Note	31 December 2019 \$	31 December 2018 \$
Continuing Operations			
Gain on foreign exchange		-	3,239,906
Listing and share registry expenses		(98,700)	(76,612)
Professional and consultants' fees	3	(385,351)	(396,829)
Director and employee costs		(3,038,678)	(2,435,614)
Share-based payments expense	18	(2,334,854)	(1,200,804)
Travel and accommodation		(66,404)	(74,257)
Donations		(92,464)	(190,391)
Depreciation	9	(55,203)	(90,095)
Impairment of deferred exploration and evaluation expenditure	10	(493,503)	(2,785,316)
Other expenses		(767,753)	(110,379)
Interest paid	19	(59,452)	(109,441)
Loss on foreign exchange		(133,722)	-
Loss before income tax		(7,526,084)	(4,229,832)
Income tax expense		-	-
Net loss for the period		(7,526,084)	(4,229,832)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(988,618)	3,955,046
Other comprehensive (loss)/ income for the period net of tax		(988,618)	3,955,046
Total comprehensive loss for the period		(8,514,702)	(274,786)
Loss per share			
Basic and diluted loss per share (cents)	6	(2.28)	(1.28)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Current Assets			
Cash and cash equivalents	7	39,980,018	55,157,707
Other receivables	8	738,552	1,042,187
Total Current Assets		40,718,570	56,199,894
Non-Current Assets			
Other receivables	8	516,733	69,076
Property, plant and equipment	9	116,726	121,566
Deferred exploration and evaluation expenditure	10	116,966,324	105,421,745
Total Non-Current Assets		117,599,783	105,612,387
Total Assets		158,318,353	161,812,281
Current Liabilities			
Trade and other payables	11	5,339,651	2,653,731
Total Current Liabilities		5,339,651	2,653,731
Total Liabilities		5,339,651	2,653,731
Net Assets		152,978,702	159,158,550
Equity			
Issued capital	12	172,618,930	172,618,930
Reserves	13	29,130,221	27,783,985
Accumulated losses	14	(48,770,449)	(41,244,365)
Total Equity		152,978,702	159,158,550

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 2019

	Issued capital \$	Accumulated losses \$	Share-based payments reserve \$	Foreign exchange translation reserve \$	Option premium reserve \$	Total \$
Year ended 31 December 2018						
Balance at 1 January 2018	172,399,841	(37,014,533)	19,809,466	2,817,669	1,000	158,013,443
Total comprehensive loss for the period						
Loss for the period	-	(4,229,832)	-	-	-	(4,229,832)
Other comprehensive income - foreign currency translation	-	-	-	3,955,046	-	3,955,046
Total comprehensive loss for the period	-	(4,229,832)	-	3,955,046	-	(274,786)
Transactions with owners in their capacity as owners						
Conversion of options	225,000	-	-	-	-	225,000
Cost of issue	(5,911)	-	-	-	-	(5,911)
Share-based payment	-	-	1,200,804	-	-	1,200,804
Balance at 31 December 2018	172,618,930	(41,244,365)	21,010,270	6,772,715	1,000	159,158,550
Year ended 31 December 2019						
Balance at 1 January 2019	172,618,930	(41,244,365)	21,010,270	6,772,715	1,000	159,158,550
Total comprehensive loss for the period						
Loss for the period	-	(7,526,084)	-	-	-	(7,526,084)
Other comprehensive loss - foreign currency translation	-	-	-	(988,618)	-	(988,618)
Total comprehensive loss for the period	-	(7,526,084)	-	(988,618)	-	(8,514,702)
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
Share-based payment	-	-	2,334,854	-	-	2,334,854
Balance at 31 December 2019	172,618,930	(48,770,449)	23,345,124	5,784,097	1,000	152,978,702

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 2019

	Note	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(4,124,221)	(3,125,453)
Interest paid		(59,452)	(109,443)
Other receipts including GST/VAT received		1,048,745	740,234
Net cash used in operating activities	7	(3,134,928)	(2,494,662)
Cash flows from investing activities			
Purchase of plant and equipment		(49,361)	(57,130)
Payments for exploration and evaluation expenditure		(11,398,108)	(11,449,984)
Net cash used in investing activities		(11,447,469)	(11,507,114)
Cash flows from financing activities			
Proceeds from conversion of options		-	225,000
Payments for share issue costs		-	(5,911)
Net cash provided by financing activities		-	219,089
Net decrease in cash and cash equivalents		(14,582,397)	(13,782,687)
Cash and cash equivalents at the beginning of the period		55,157,707	65,576,728
Effect of exchange rate fluctuations on cash		(595,292)	3,363,666
Cash and cash equivalents at the end of the period	7	39,980,018	55,157,707

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 2019

1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield Resources", "Highfield" or "the Company") for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 27 March 2020.

Highfield is a company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.



2. Summary of Significant Accounting Policies

a) Basis of Preparation

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

b) Compliance Statement

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

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") at 31 December 2019 and at 31 December 2018 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 intercompany transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered.

d) Foreign Currency Translation

i) Functional currency

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

ii) Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

iii) Presentation currency

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

e) Segment Reporting

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

f) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the period in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
 - a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation

and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous periods.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

g) Income Tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income or loss based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The

tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when:

- the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when:

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be recognised. The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recognised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

h) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the taxation authority. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST/VAT.

The net amount of GST/VAT recoverable from, or payable to, the government is included as part of receivables or payables in the statement of financial position. Cash flows are presented in the statement of cash flows on a gross basis, except that the GST/VAT component of investing and financing activities, which is receivable from or payable to the government, is disclosed as operating cash flows.

i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets

are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that 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 Group currently has no contracts with customers.

Interest income is recorded using the effective interest method.

o) Earnings per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

p) Share-based payment transactions

i) Equity settled transactions:

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

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the binomial method (which is derived from the Black-Scholes option pricing model but is considered more suitable for companies which do not pay dividends) taking into account the terms and conditions upon which the instruments were granted, as discussed in note 18. The expected price volatility is based on the historic volatility of the Company's share price on the ASX.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Highfield Resources Limited ("market conditions").

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of earnings/loss per share (refer to note 6).

ii) Cash settled transactions:

The Company may also provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the Company.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the binomial method taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

q) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that financial period, or in the period of the revision and future periods if the revision affects both current and future periods.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely either from future development or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates

directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

r) New and amended standards adopted by the Group

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

- AASB 16 Leases was adopted by the Group with effect from 1 January 2019. However, as the Group currently has no long term leases (more than 12 months), and as short term leases (less than 12 months), leases of a low value, and mineral leases are exempt from the lease accounting requirements, there was no material impact on the Group's current period results nor any restatement of previously reported financial results.

s) New standards and interpretations not yet adopted

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	31 December 2019	31 December 2018
	\$	\$

3. Expenses

Professional and consultants' fees		
Corporate advisory fees	(280,451)	(237,934)
Legal fees	(27,838)	(52,004)
Other	(77,062)	(106,891)
	(385,351)	(396,829)

For the year ended 31 December 2019, Director costs are reported within Director and employee costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. In the comparative period Director costs of \$581,635 have therefore been reclassified from Professional and consultants' fees to Director and employee costs.

4. Auditors' Remuneration

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

Amounts received or due and receivable by the parent auditor for:		
- an audit or review of the financial report	51,276	38,000
- other services	6,000	-
Remuneration of other related entities of "PwC"		
Amounts received or due and receivable by the subsidiary auditor for:		
- an audit or review of the financial report	29,632	29,062
	86,908	67,062

31 December 2019 31 December 2018
\$ \$

5. Income Tax

a) Income tax expense

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

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

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

Loss from continuing operations before income tax expense	(7,526,084)	(4,229,832)
Tax calculated at domestic tax rates applicable to profit/(losses) in the respective countries	(2,282,815)	(1,268,950)
Share-based payments	86,676	170,807
Non-deductible expenses	1,975,790	117,232
Net income tax benefit not brought to account	220,349	980,911
Income tax expense	-	-

c) Deferred tax

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

Losses available to offset against future taxable income	14,317,912	13,335,397
Net deferred tax asset not recognised	14,317,912	13,335,397

d) Unused tax losses

Unused tax losses	50,269,259	44,451,323
Potential tax benefit not recognised at the domestic tax rate in the respective countries	14,317,912	13,335,397

The benefit for tax losses will only be obtained if:

- i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

The balances in notes 5(c) and 5(d) for the current period include the losses available to offset against future taxable income for the Company's Spanish subsidiary as well as for the Company itself.

31 December 2019 31 December 2018
\$ \$

6. Loss per Share

Loss used in calculating basic and diluted EPS	(7,526,084)	(4,229,832)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share	329,525,003	329,399,387
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	329,525,003	329,399,387
Basic and diluted loss per share (cents)	(2.28)	(1.28)

There is no impact from the 22,836,150 options outstanding at 31 December 2019 (31 December 2018: 43,749,618) on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between 31 December 2019 and the date of completion of these financial statements.

7. Cash and Cash Equivalents

Reconciliation of cash		
Cash at bank	39,980,018	55,157,707
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(7,526,084)	(4,229,832)
Non-cash and non-operating items in operating loss after tax:		
Share-based payments	2,334,854	1,200,804
Net (loss)/gain on foreign exchange	133,722	(3,239,906)
Impairment of deferred exploration and evaluation expenditure	493,503	2,785,316
Depreciation	55,203	90,095
Change in assets and liabilities		
Decrease in trade and other receivables	(65,524)	537,759
Increase in trade and other payables	1,439,398	361,102
Net cash used in operating activities	(3,134,928)	(2,494,662)

	31 December 2019	31 December 2018
	\$	\$

8. Other Receivables

Current		
GST receivable	47,443	43,629
VAT receivable	653,338	367,744
Guarantees	-	601,836
Deposits	37,771	28,978
	738,552	1,042,187
Non-current		
Guarantees	516,733	69,076
	516,733	69,076

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. At 31 December 2019 guarantees totaling \$460,686 have been reclassified from current receivables to non-current receivables

9. Property, Plant and Equipment

Cost	658,279	614,213
Accumulated depreciation and impairment	(541,553)	(492,647)
Net carrying amount	116,726	121,566
Movements in Property, Plant and Equipment		
Opening balance	121,566	154,996
Additions	51,959	49,125
Net exchange differences on translation	(1,596)	7,540
Depreciation charge for the period	(55,203)	(90,095)
Closing balance	116,726	121,566

e) Share Options

As at the date of this report there were 22,836,150 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
3,000,000	\$1.29	30 June 2021
1,000,000	\$0.83	30 June 2022
3,221,170	\$0.83	31 December 2022
1,818,171	\$0.83	31 December 2023
1,622,191	\$0.83	31 December 2024
4,832,221	\$1.34	30 June 2025
7,342,397	\$1.29	31 December 2025
22,836,150		

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

The following options were issued during the financial year:

- 1,000,000 options with an exercise price of \$0.83, expiring on 30 June 2022
- 3,221,170 options with an exercise price of \$0.83, expiring on 31 December 2022
- 2,779,471 options with an exercise price of \$0.83, expiring on 31 December 2023
- 2,479,867 options with an exercise price of \$0.83, expiring on 31 December 2024

The following options lapsed during the financial year:

- 6,850,000 options with an exercise price of \$1.85, expiring on 30 June 2024
- 4,550,000 options with an exercise price of \$2.50, expiring on 30 June 2019
- 17,175,000 options with an exercise price of \$2.00, expiring on 30 June 2019

The following options were cancelled during the financial year:

- 961,300 options with an exercise price of \$0.83, expiring on 31 December 2023
- 857,676 options with an exercise price of \$0.83, expiring on 31 December 2024

No options were exercised during the financial year ended 31 December 2019.

For full details refer to note 18.

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

	31 December 2019		31 December 2018	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Opening Balance	\$1.81	43,749,618	\$1.57	51,007,221
Granted	\$0.83	9,480,508	\$1.29	10,342,397
Exercised	-	-	\$0.75	(300,000)
Cancelled	\$0.83	(1,818,976)	-	-
Lapsed	\$2.04	(28,575,000)	\$0.82	(17,300,000)
	\$1.19	22,836,150	\$1.81	43,749,618
Vested and exercisable at year end	\$1.02	7,221,170	\$1.68	31,975,000

13. Reserves

	31 December 2019 \$	31 December 2018 \$
Share-based payments reserve	23,345,124	21,010,270
Foreign exchange translation reserve	5,784,097	6,772,715
Option premium reserve	1,000	1,000
	29,130,221	27,783,985
<i>Movements in Reserves</i>		
<i>Share-based payments reserve</i>		
Opening balance	21,010,270	19,809,466
Share-based payments expense	2,334,854	1,200,804
Closing balance	23,345,124	21,010,270
<i>Foreign exchange translation reserve</i>		
Opening balance	6,772,715	2,817,669
Foreign exchange translation difference	(988,618)	3,955,046
Closing balance	5,784,097	6,772,715
<i>Option premium reserve</i>		
Opening balance	1,000	1,000
Issue of unlisted options	-	-
Closing balance	1,000	1,000

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 2019.

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

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

14. Accumulated Losses

	31 December 2019 \$	31 December 2018 \$
Movements in accumulated losses were as follows		
Opening balance	(41,244,365)	(37,014,533)
Loss for the period	(7,526,084)	(4,229,832)
Closing balance	(48,770,449)	(41,244,365)

15. Directors and Other Key Management Personnel Disclosures

Remuneration of Directors and Other Key Management Personnel

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

Short term employee benefits	2,223,525	2,330,778
Share-based payments	1,111,598	744,732
Post-employment	10,649	14,684
	3,345,772	3,090,194

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 2019	31 December 2018
KCL Resources Limited	Australia	100%	100%
Geocali SLU	Spain	100%	100%

17. Financial Risk Management

Exposure to foreign currency risk, credit risk, liquidity risk and interest rate risk arises in the normal course of the Company's business. The Company uses different methods as discussed below to manage these risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

a) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and where appropriate investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing future capital needs include the Company's cash position and the issue of equity instruments, as well as debt financing. These alternatives are evaluated to determine the optimal mix of capital resources for capital needs. The Directors expect that present levels of liquidity along with future capital raising will be adequate to meet expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables. The contractual maturities of all trade and other payables are less than 6 months.

b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Company manages the risk by investing in short term deposits where appropriate.

The Company holds substantially all of its cash and cash equivalents in Euros, being the primary currency in which it expects to make expenditure for the development of the Muga Mine. In the year ended 31 December 2019 \$566 were earned on Australian dollar balances and \$60,018 were charged on Euro balances, reflecting the fact that interest rates on Euro balances are negative. In 2018 interest earned on Australian dollar balances totalled \$6,665 and charges on Euro balances were \$116,106. During the year ended 31 December 2019 the Company moved its Euro balances to banks that do not charge negative interest.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

	Effect on Post Tax Loss (\$) (Increase)/decrease		Effect on Equity incl. accumulated losses (\$) Increase/(decrease)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Increase 75 basis points	933	6,567	933	6,567
Decrease 75 basis points	(566)	(6,567)	(566)	(6,567)

A sensitivity of 75 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's maximum credit exposure is the carrying amounts on the statement of financial position. The Company holds financial instruments with credit worthy third parties. At 31 December 2019, 99% of the Company's cash and cash equivalents were held in financial institutions with a rating from Standard & Pooors of BBB+ or above (long term). The Company had no past due or impaired debtors as at 31 December 2019.

d) Foreign Currency Risk

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars were as follows:

	Liabilities (\$)		Assets (\$)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Euro	5,223,706	2,994,965	40,494,872	54,635,744
US dollars	23,240	87,537	14,111	14,047
GB pounds	14,590	55,243	-	-
Canadian dollars	-	1,621	-	-
Total	5,261,536	3,139,366	40,508,983	54,649,791

The monetary assets and liabilities in the table above for the current period include the balances of the Company's Spanish subsidiary as well as for the Company itself.

Foreign currency sensitivity analysis

The Company is exposed to Euro currency fluctuations. The following table details the Group's sensitivity to a 10% increase and decrease in the Euro against the Australian dollar on the above foreign currency denominated monetary assets and liabilities, expressed in Australian dollars.

	Euro Movement	
	Increase (\$)	Decrease (\$)
31 December 2019		
Profit or loss	3,916,384	(3,204,313)
Other equity	3,916,384	(3,204,313)
31 December 2018		
Profit or loss	5,723,381	(4,682,766)
Other equity	5,723,381	(4,682,766)

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 2018 or 31 December 2019.

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 2019 \$	31 December 2018 \$
Options granted during the period	1,803,299	626,887
Options granted in prior periods	531,555	573,917
	2,334,854	1,200,804

The Company operates an equity incentive plan known as 'Highfield Resources Limited Employee Long Term Incentive Plan' ("ELTIP"). Subject to the attainment of performance hurdles and vesting conditions participants in this plan may receive options. The objective of this plan is to assist in the recruitment, reward, retention and motivation of senior managers. The fair value at grant date of options granted during the period was determined using the binomial method, as described in note 2(p), taking into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk free interest rate for the term of the option.

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

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
23/05/2019	30/06/2022	\$0.83	-	1,000,000 ¹	-	-	1,000,000	1,000,000
21/06/2019	31/12/2022	\$0.83	-	3,221,170 ²	-	-	3,221,170	3,221,000
21/06/2019	31/12/2023	\$0.83	-	2,779,471 ³	-	(961,300) ⁵	1,818,171	-
21/06/2019	31/12/2024	\$0.83	-	2,479,867 ⁴	-	(857,676) ⁵	1,622,191	-
				9,480,508	-	(1,818,976)	7,661,532	4,221,000

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

² Options granted to the Managing Director, Chief Financial Officer and other employees. The options vested on satisfaction of the recipient's continued employment vesting condition at 31 December 2019.

³ Options granted to the Managing Director, Chief Financial Officer and other employees. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2020.

⁴ Options granted to the Managing Director, Chief Financial Officer and other employees. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2021.

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

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

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

The table below summarises options granted during the year ended 31 December 2018:

Grant Date	Expiry date	Exercise price	Number at start of the period	Granted during the period	Exercised during the period	Lapsed or cancelled during the period	Number at end of the period	Exercisable at end of the period
08/06/2018	30/06/2021	\$1.29	-	3,000,000 ¹	-	-	3,000,000	3,000,000
08/06/2018	31/12/2025	\$1.29	-	7,342,397 ²	-	-	7,342,397	-
				10,342,397	-	-	10,342,397	3,000,000

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

² Represents options granted to the Manager Director, Chief Financial Officer and other employees. The options will vest on satisfaction of the following Vesting Conditions during the three year vesting period commencing on 1 January 2018 and ending on 31 December 2020:

a) Market Based Performance:

50% of the options will be assessed for vesting based upon the Company's relative share price performance at the start of the vesting period, being the 20 day Volume Weighted Average Price (VWAP) of the Company's shares immediately preceding 1 January each year, to the closing price of the Company's shares at the conclusion of the vesting period, being the 20 day VWAP immediately preceding 31 December 2020, versus the performance of the S&P/ASX 300 Resources Index (XKR) for the same period, in accordance with a defined scale as follows:

- Below 10% of index performance = nil vesting;
- Between -10% and 0% of index performance = vests 2.5% per 1% so "at index" 25% vests; and
- Above index performance = vests at 3% per 1% so at 25% above index 100% vests;

b) Total Shareholder Return (TSR):

50% of the options will be assessed for the vesting based upon the Company's TSR from the opening price of the Company's shares at the start of the Vesting Period to the closing price of the Company's shares at the conclusion of the vesting period. The performance measure is absolute performance based on compound annual growth rate achieved in TSR. The proportion of the TSR Options that vests into shares will be determined in accordance with the following vesting scale:

- Zero to 10% = vests at 3% per 1% so at 10% TSR 30% vests;
- Above 10% = vests at 7% per 1% so at 20% TSR 100% vests.

The model inputs for options granted during the six months ended 31 December 2018 included:

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

19. Geographic Segment Analysis

a) Net interest (paid)/received

	31 December 2019 \$	31 December 2018 \$
Australia	(59,452)	(109,441)
Spain	-	-
	(59,452)	(109,441)

b) Non-current Assets

Australia	-	-
Spain	117,599,783	105,612,387
	117,599,783	105,612,387

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20. Significant Events after the Reporting Period

An outbreak of a new strain of coronavirus, Covid-19, emerged after the end of the reporting period and has caused considerable challenges and disruption to global equity markets. While there was no material effect on the Financial Statements for the year ended 31 December 2019, the coronavirus outbreak is still evolving and potential future impacts are unable to be quantified. The Group is in the exploration and evaluation phase and has not yet commenced development activities.

21. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 31 December 2019 (December 2018: Nil).

22. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2019 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 2019.

23. Geoalcali Foundation

As part of its Community Engagement Programme, 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 150 community projects.

24. Commitments

At 31 December 2019, 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 2019 amounted to approximately \$59.4m. The contracts are able to be terminated by the Company at any point in time. The amount payable following termination would be approximately \$1.0m.

25. Parent Entity Information

The following information relates to the parent entity, Highfield Resources Limited, at 31 December 2019 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 2019 \$	31 December 2018 \$
Current assets	39,872,950	55,328,002
Total assets	153,052,297	159,340,261
Current liabilities	(308,437)	(225,440)
Total liabilities	(308,437)	(225,440)
Net assets	152,743,860	159,114,821
Issued capital	172,618,930	172,618,930
Reserves	23,346,124	21,011,270
Accumulated losses	(43,221,195)	(34,515,379)
Total Equity	152,743,860	159,114,821
	31 December 2019 \$	31 December 2018 \$
(Loss)/profit of the parent entity	(8,705,815)	418,878
Other comprehensive income for the period	-	-
Total comprehensive (loss)/income of the parent entity	(8,705,815)	418,878

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 2019 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 2019 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 Acting Chief Executive Officer and the Chief Financial Officer required to be made in accordance with section 295A of the Corporations Act 2001 for the year ended 31 December 2019.

On behalf of the Board



Richard Crookes

Chairman and Acting Chief Executive Officer
27 March 2020

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Highfield Resources Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Andrew Forman'.

Andrew Forman
Partner
PricewaterhouseCoopers

Adelaide
27 March 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report

Independent auditor's report

To the members of Highfield Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2019 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 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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 \$1.6 million, which represents approximately 1% of the Group's total assets. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group total assets because, in our view, it is the metric against which the performance of the Group is most commonly measured given it is in the exploration and evaluation phase and has no production or sales. We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Group audit is planned and led by our Group audit team in Australia. Given the Group's principal operating entity Geocalci and its management and financial reporting function are based in Pamplona in Spain, we engaged component auditors in Spain to perform audit procedures over the financial information of this entity. Audit procedures were performed by the Group audit team over the consolidation process and balances recorded at a Group level. The audit work carried out in Spain, together with the additional procedures performed at Group level, in our view provided sufficient evidence to express an opinion on the Group financial report as a whole. We ensured 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) \$116,966,324</p> <p>The Group accounts for exploration and evaluation activities in accordance with the policy in note 2(f) of the financial report. The amount recorded at balance date relates the Group's projects summarised in note 10.</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 size of the balance recorded on the Consolidated Statement of Financial Position at 31 December 2019 and because the determination of the balance involves significant judgement made by the Group as outlined above.</p>	<p>We performed the following procedures amongst others:</p> <ul style="list-style-type: none"> • Evaluated the Group's assessment that there had been no indicators of impairment during the current period with reference to the requirements of Australian Accounting Standards. • Considered the latest available information regarding the projects through inquiries of management and the directors, 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. Where right of tenure had been allowed to lapse, we tested whether costs associated with that licence had been assessed for impairment. • Tested a sample of current year capitalised expenditure to source documents and considered whether they had been accounted for in accordance with the Group's accounting policy and Australian Accounting Standards.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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Report on the remuneration report

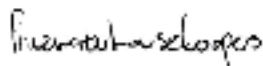
Our opinion on the remuneration report

We have audited the remuneration report included in pages 69 to 81 of the directors' report for the year ended 31 December 2019.

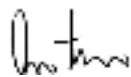
In our opinion, the remuneration report of Highfield Resources Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

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.



PricewaterhouseCoopers



Andrew Forman
Partner

Adelaide
27 March 2020

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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 26 March 2020.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	192	82,924
1,001 - 5,000	381	1,156,932
5,001 - 10,000	322	2,641,212
10,001 - 100,000	868	30,978,010
100,001 - and over	228	294,665,925
Total	1,991	329,525,003

There were 251 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number of shares	%
J P MORGAN NOMINEES AUSTRALIA LIMITED	136,477,238	41.42
WWB INVESTMENTS PTY LTD	19,528,450	5.93
MR. WARREN WILLIAM BROWN + MRS. MARILYN HELENA BROWN	15,971,550	4.85
DEREK CARTER + CARLSA CARTER <SALAMANCA SUPER FUND>	7,721,504	2.34
CITICORP NOMINEES PTY LTD	5,633,541	1.71
MR. BENJAMIN JOHN HAAN <THE HAAN FAMILY A/C>	4,080,000	1.24
BRING ON RETIREMENT LTD	4,000,000	1.21
MR. DANIEL EDDINGTON + MRS. JULIE EDDINGTON	3,870,000	1.17
CELTIC CAPITAL PTE LTD	3,500,000	1.06
MR. CRAIG PETER BALL	3,292,384	1.00
MR. MICHAEL ANDREW WHITING + MRS. TRACEY ANNE WHITING <WHITING FAMILY S/F A/C>	2,715,718	0.82
JONERIC PTY LTD	2,701,076	0.82
PETER DAVID FERGUSON PTY LTD. <PD FERGUSON S/F/ A/C>	2,278,000	0.69
WOOTOONA INVESTMENTS PTY LTD	2,150,538	0.65
CRX INVESTMENTS PTY LTD	2,000,000	0.61
KANBAH PTY LTD <KANBAH SUPER FUND A/C>	2,000,000	0.61
DORICA NOMINEES PTY LTD	2,000,000	0.61
CARINYA INVESTMENTS PTY LTD	1,870,000	0.57
HGT INVESTMENTS PTY LTD	1,750,000	0.53
GREENSLADE HOLDINGS PTY LTD	1,650,076	0.50
	225,190,075	68.34

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 26 March 2020.

Title of class	Registered holder of securities	Identity of person or Group	Date of last notice	Number owned	Percentage of total voting rights ²
Ordinary Shares	JP Morgan Nominees Australia Limited	EMR Capital Investment (No. 2) Pte Ltd ¹	15/05/2015	104,038,875	31.57%
Ordinary Shares	JP Morgan Nominees Australia Limited	Australian Super Pty Ltd ¹	28/07/2017	17,007,898	5.16%
Ordinary Shares	Various holders	WWB Investments Pty Ltd ¹	08/11/2017	35,500,000	10.77%

¹ Being the Group listed and its associated entities

² The percentages quoted are based on the total voting rights conferred by ordinary shares in the Company as at 26 March 2020 of 329,525,003

Unlisted Options

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at \$1.29 on or before 30 June 2021	3,000,000	Isaac Querub 1,000,000 options; Roger Davey 1,000,000 options; and Brian Jamieson 1,000,000 options.
Options over ordinary shares exercisable at \$0.83 on or before 30 June 2022	1,000,000	Richard Crookes 1,000,000 options;
Options over ordinary shares exercisable at \$0.83 on or before 31 December 2022	3,221,170	Sonedala Albert 1,114,064 options.
Options over ordinary shares exercisable at \$0.83 on or before 31 December 2023	1,818,171	Mike Norris 445,980 options.
Options over ordinary shares exercisable at \$0.83 on or before 31 December 2024	1,622,191	Mike Norris 397,905 options.
Options over ordinary shares exercisable at \$1.34 on or before 30 June 2025	4,832,221	Sonedala Albert 1,420,654 options.
Options over ordinary share exercisable at \$1.29 on or before 31 December 2025	7,342,397	Sonedala Albert 2,192,287 options.

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

Use of Proceeds

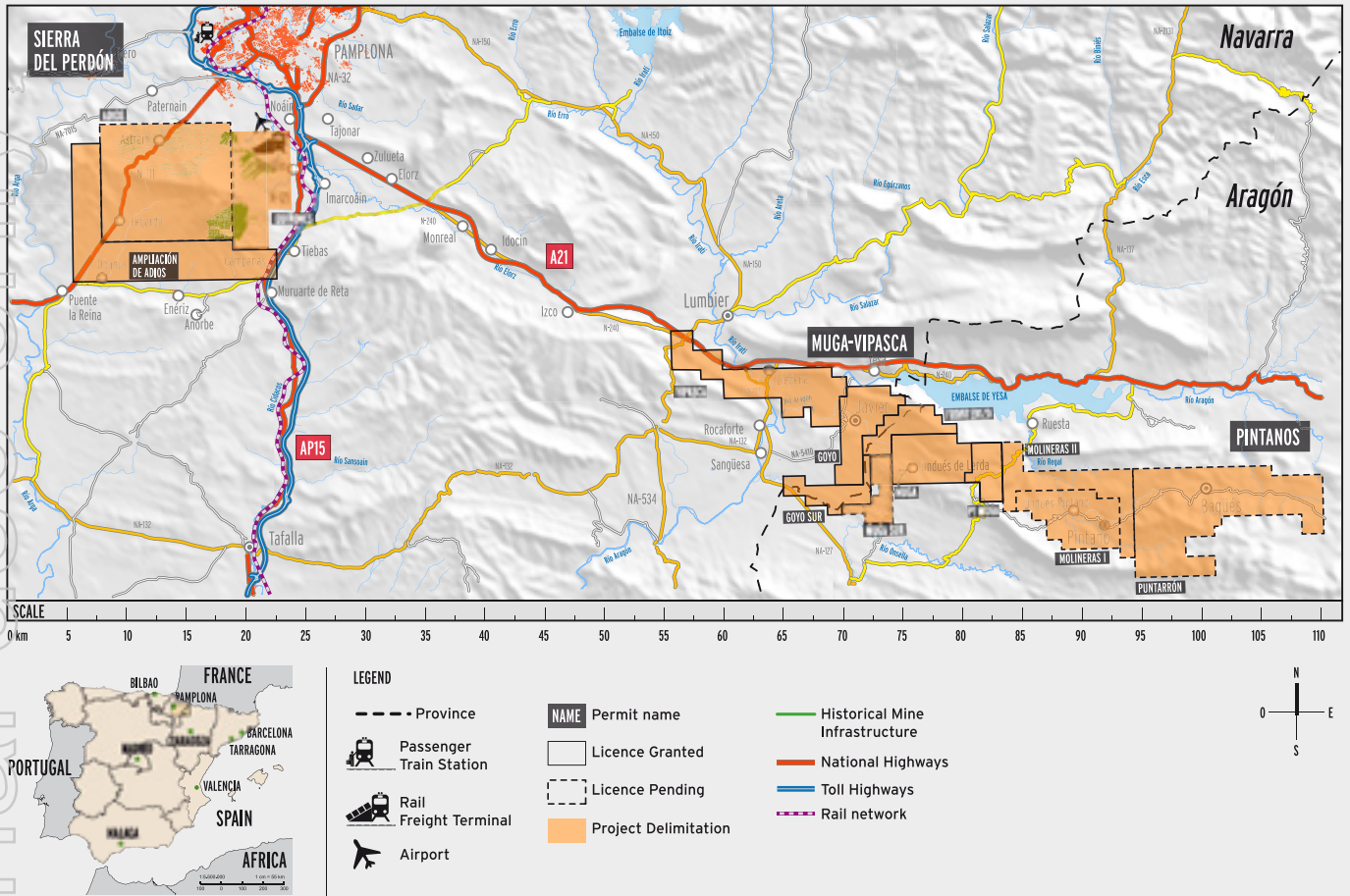
In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the year ended 31 December 2019.

Schedule of Tenements

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

Project	Region	Permit Name	Permit Type	Applied	Granted	Ref#	Area Km ²	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	Application in process	35760	22.88	Geoalcali SLU	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	Application in process	35770	59.40	Geoalcali SLU	100%
Sierra del Perdón	Navarra	Ampliación de Adiós	Investigation	26/10/2012	14/02/2014	35880	40.90	Geoalcali SLU	100%
							123.18		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	27.30	Geoalcali SLU	100%
							27.30		
Muga	Navarra	Goyo (area under concession process)	Investigation	19/07/2011	24/12/2012	35780	14.79	Geoalcali SLU	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	13/12/2019	35920	8.96	Geoalcali SLU	100%
Muga	Aragón	Fronterizo (area under concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	8.70	Geoalcali SLU	100%
Muga	Aragón	Fronterizo (area outside concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	1.10	Geoalcali SLU	100%
Muga	Aragón	Muga (area under concession process)	Investigation	29/05/2013	07/04/2014	3500	15.08	Geoalcali SLU	100%
Muga	Aragón	Muga (area outside concession process)	Investigation	29/05/2013	07/04/2014	3500	5.32	Geoalcali SLU	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Application in process	3524	7.28	Geoalcali SLU	100%
							61.23		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18.20	Geoalcali SLU	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Application in process	3495/20	16.80	Geoalcali SLU	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Application in process	3510	30.24	Geoalcali SLU	100%
							65.24		
						Total	276.95		

Project locations are shown in the following map.



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Important Information and Disclaimers

Forward Looking Statements

This report includes certain 'forward looking statements'. All statements, other than statements of historical fact, are forward looking statements that involve various risks and uncertainties. There can be no assurances that such statements will prove accurate, and actual results and future events could differ materially from those anticipated in such statements.

Such information contained herein represents management's best judgement as of the date hereof based on information currently available. The Company does not assume any obligation to update any forward looking statement.

Competent Person Statement for Muga Potash Project

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

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

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

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

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

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

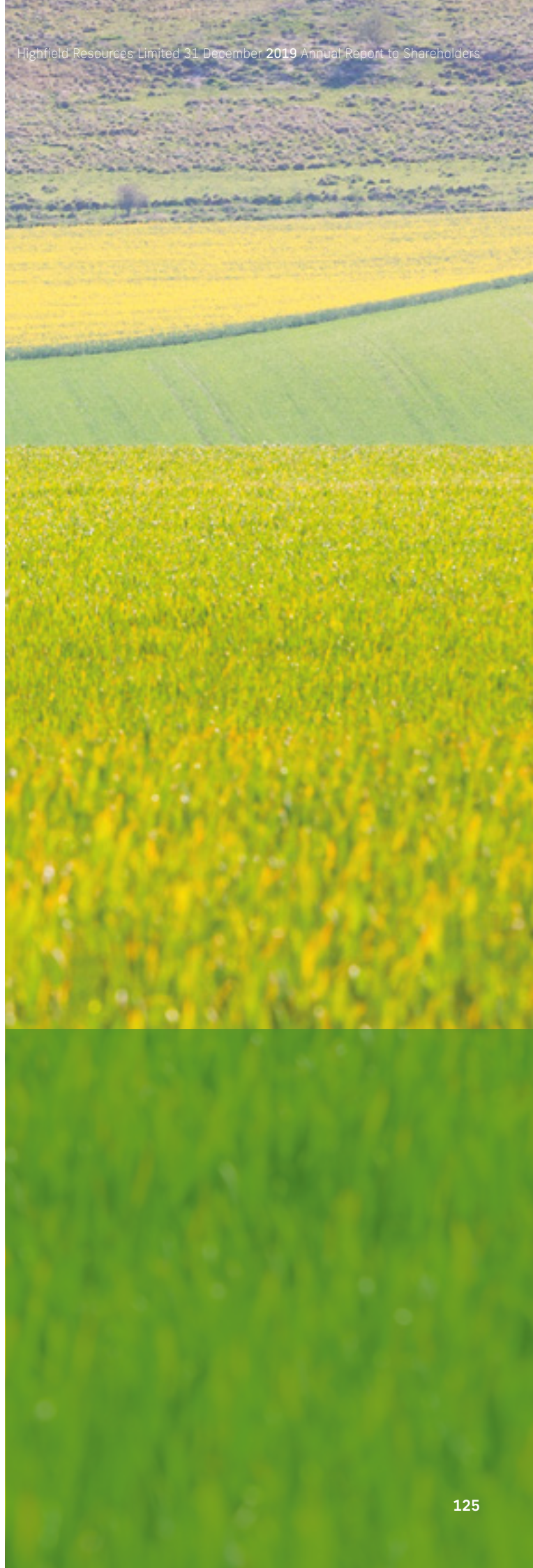
Competent Person Statement for Mineral Resources and Exploration Targets other than the Muga Potash Project

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

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

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

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



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