Half Year Financial Report

30 June 2021

highfieldresources.com.au

ABN 51 153 918 257

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CORPORATE DIRECTORY

Directors
Mr. Richard Crookes (Independent Non-Executive Chairman)
Mr. Ignacio Salazar (CEO and Managing Director) (appointed as Managing Director 28 July 2021)
Ms. Pauline Carr (Independent Non-Executive Director)
Mr. Roger Davey (Independent Non-Executive Director)
Mr. Brian Jamieson (Non-Executive Director)
Mr. Isaac Querub (Independent Non-Executive Director)

Company Secretary
Ms. Katelyn Adams (appointed 8 February 2021)

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Auditor
PricewaterhouseCoopers
Level 11/70 Franklin St
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Stock Exchange
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: HFR

The Directors present their report for Highfield Resources Limited ("Highfield", or "the Company") and its subsidiaries Geoalcali S.L.U. ("Geoalcali") and KCL Resources Limited (together "the Group") for the financial half year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of Directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr. Richard Crookes	Non-Executive Chairman
Mr. Ignacio Salazar	CEO and Managing Director (appointed 28 July 2021)
Ms. Pauline Carr	Independent Non-Executive Director
Mr. Roger Davey	Independent Non-Executive Director
Mr. Jim Dietz	Independent Non-Executive Director (resigned 18 February 2021)
Mr. Brian Jamieson	Non-Executive Director
Mr. Isaac Querub	Independent Non-Executive Director

Results

The net loss for the half year ended 30 June 2021 was \$2.5m (30 June 2020: net loss of \$20.7m).

REVIEW OF OPERATIONS

Highfield 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

Overview

Geoalcali's flagship Muga Project ("Muga" or "the Project") is targeting the relatively shallow sylvinite beds in the Muga Project area that covers about 60km^2 located in the Provinces of Navarra and Aragón. The Muga Mine 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 Vipasca permit area (see Figure 1) is located adjacent to the Muga Project and covers approximately 14km^2. Given its geological characteristics it has always been considered as a natural continuation of the Muga deposit. Therefore, the efforts of the Company have been focused on the identification of resources at Vipasca, especially in the eastern sector, the closest sector to Muga, while progressing in the knowledge of the geological structure of the other areas of the permit.

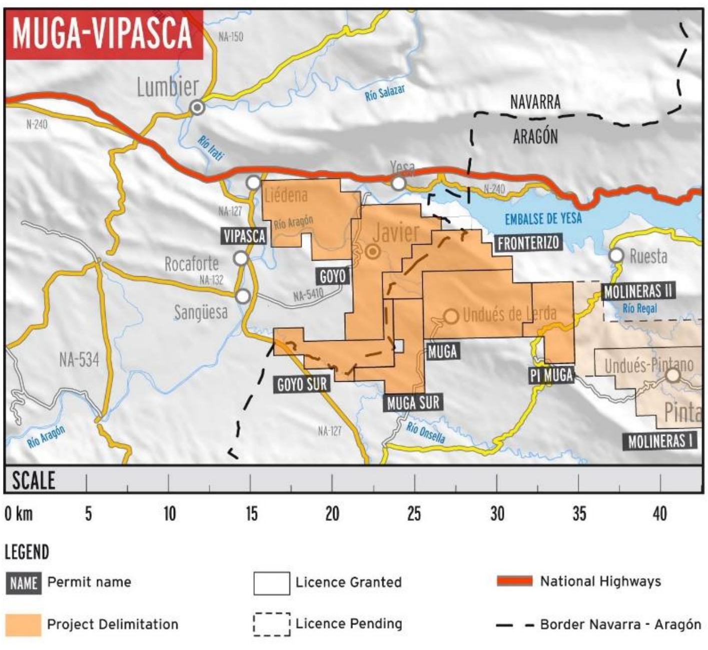

Figure 1: Map of Muga Project and Vipasca Permit

Muga Project Approvals Process
As reported on 6 June 2019 Geoalcali received a positive Declaración de Impacto Ambiental ("DIA") in respect of the Muga Project, meaning it had received the key environmental permit required to move its Muga Project forward. The granting of the positive DIA was then subsequently published in the official Spanish public bulletin on 21 June 2019.

Following the DIA award, Geoalcali focused on securing the Mining Concession ("MC") and the construction permits necessary to take the Project into the construction phase. The necessary MC documentation was submitted on 13 March 2020.

Subsequent to the submission Geoalcali maintained constant dialogue with the relevant authorities in order to expedite the MC process resulting in the commencement of the public exposition period with respect to the MC documentation, which was gazetted in the National Bulletin on 4 July 2020. The public exposition period of 30 working days was concluded as scheduled on 29 August 2020, when Geoalcali proceeded to respond to the queries that were raised during that period.

Following the public consultation for the MC documentation, the authorities split the MC review into five sections covering all aspects of the Project. The Company provided prompt and comprehensive replies to all questions from the authorities and on 1 March 2021, the Company announced that it had satisfactorily replied to all the questions brought forward by the relevant authorities in Madrid, Aragón and Navarra.

On May 2021 Geoalcali received the last report required in the final section of the MC from the environmental department of Aragón. Following this important step, on 26 May 2021 (refer ASX release 26 May 2021, "Muga Project Permitting Update") the Mining Authorities of Madrid, Aragón and Navarra, having completed their review, submitted the final MC text to the Government's lawyer for a final legal review. This was the last step before the granting of the MC on 1 July 2021.

Muga Project and Vipasca Permit Exploration Update
The Muga Project Update released on 15 October 2018 confirmed the strategic importance of Vipasca as a potential extension of the Muga Project. Since then, Geoalcali has been focusing on the more prospective areas in the east of the Vipasca permit.

Geoalcali completed its drilling programme at the Vipasca permit area in the first half of 2020. As a result of the interpretation of the geological information obtained in recent years at Vipasca, the central and western sectors of the tenement were relinquished in January 2021, as they are not seen as favourable areas to develop exploration works. The results of the geological works carried out showed that the potash unit is too deep in those areas, situated at least more than 1100 meters depth. Consequently, Geoalcali preserved only the eastern sector, closest to Muga.

Muga Project and Vipasca Permit Technical Update
In line with the plan, the engineering consultancy firms released to Geoalcali the detailed design for the Project on 15 December 2020. Geoalcali's technical team analysed and reviewed the documentation to ensure the design meets the objectives of the Project with a particular focus on identifying any potential improvements.

During the first quarter of 2021, the Company prepared a HAZOP (Hazard and Operability Analysis) report which assesses the operational risk and undertakes performance stress tests of the final designs.

After the granting of the MC, the Company is focusing on finalising the purchase of some long lead time equipment. Geoalcali has also shared the necessary information with its preferred construction contractor, Acciona, to progress with the negotiation of the construction agreement and the project implementation.

Muga Project and Vipasca Permit Sales and Marketing Update
In previous years, Geoalcali has already signed non-binding MOUs representing more than its full Phase-1 production capacity for potash and salt.

During the second quarter of 2021 the potash market has experienced supply constraints that have encouraged discussions with traders, potential offtake partners and logistics partners interested in a strategic participation in the Project. Geoalcali has been developing its transport and logistics strategy, which is key to develop and implement its sales and marketing plan.

Geoalcali continues to engage in ongoing offtake discussions with other potential wholesale customers, distributors and global traders for the entire production capacity of MOP and salt from the Muga Mine.

Muga Project Financing

In accordance with its financing strategy, Highfield has worked closely with Endeavour Financial ("EF"), a leading independent advisor, since its appointment on 30 November 2020.

The Company's work on the debt financing in conjunction with EF has accelerated after the MC award, being now able to finalize it. Preparation for financiers' independent technical, social, environmental and market due diligence is underway.

After the receipt of the MC, the Company is able to engage in more detail with its key brokers and strategic partners as it evaluates all financing options prior to the start of construction works.

SIERRA DEL PERDÓN

Sierra del Perdón tenement area ("SdP") comprising the three permits of Quiñones, Adiós and Ampliación de Adiós is located southeast of Pamplona and covers approximately 120km^2. SdP is a brownfield target which previously hosted two potash mines operating from the 1960s until the late 1990s, producing nearly 500,000 tonnes of potash per annum. There is potential for potash exploitation in new, unmined areas in the SdP area.

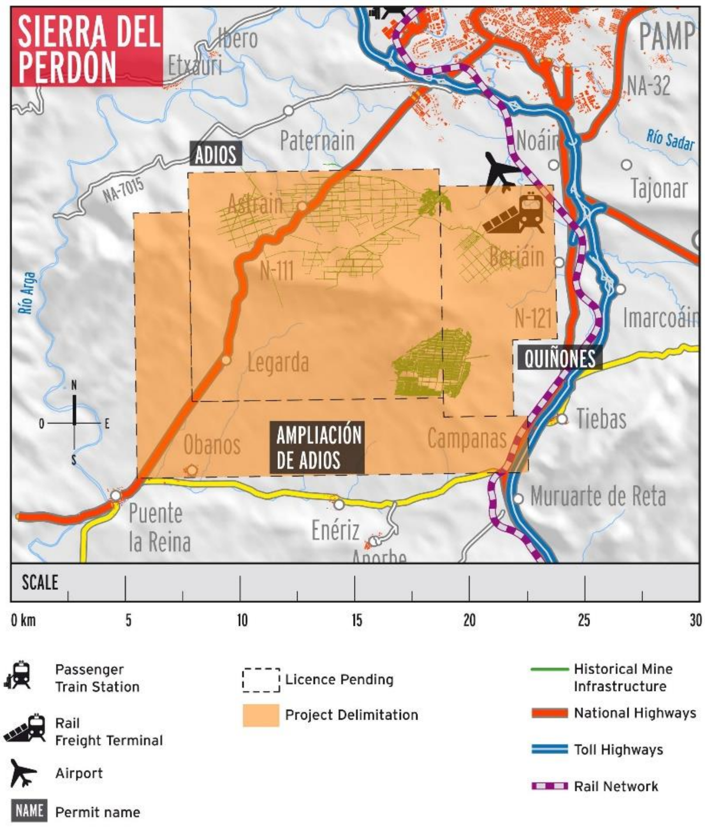

Figure 2: Map of Sierra del Perdón tenement area

Geoalcali was advised in the fourth quarter of 2018 that the second three-year extension application for the Adiós and Quiñones permits had been rejected by the mining department of the Government of Navarra. The basis of the rejection of the Quiñones and Adiós extension application was that Geoalcali had not performed sufficient drilling and geophysics exploration when compared with what it had committed to in the three year work plans submitted to the authorities. The Company appealed this decision in 2019 and has so far not obtained a resolution.

In the fourth quarter of 2020, the Company was advised that the second three-year extension application for the Ampliación de Adiós permit was rejected by the mining department of the Government of Navarra. The Company appealed this decision in the last quarter of 2020, in line with the ongoing process of the other two SdP permits. Based on local Spanish legal advice, the continued lack of a resolution to the appeal is not seen as a reflection of the merits of the appeal, nor does it represent a significant change with an adverse effect on the entity.

The drill hole AA-02 that was planned in 2020 has been delayed until final resolution of these appeals.

PINTANOS

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

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

The current priority for the Company is the development of Muga.

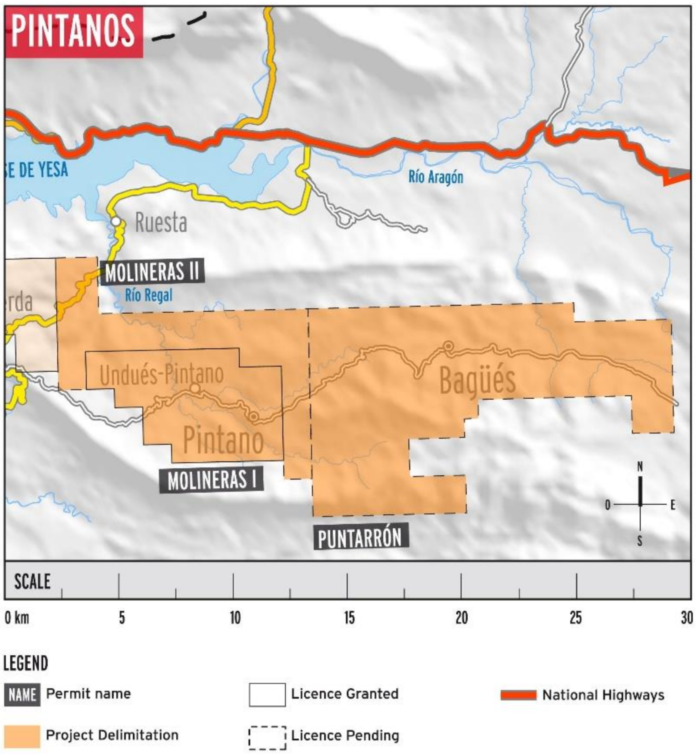

Figure 3: Map of Pintanos tenement area

CORPORATE

Directors
On 28 July 2021 the Company's CEO, Mr Ignacio Salazar, was appointed as Managing Director of Highfield Resources Limited and joined the Board with effect from the same day.

Furlough Scheme
A temporary reduction of up to 50% of all the Group's management and staff's workday and salaries was implemented on 1 February 2021 and finalised when the MC award was officially granted, on 1 July 2021. This measure was aimed at protecting the Project while at the same time preserving cash during the period the authorities were completing their review of the documents provided by the Company.

Social Baseline Study
On 4 March 2021 the Social Baseline Study ("the Study"), an independent study commissioned by the Government of Navarra, was published. The Study concluded that the Muga Mine could significantly boost the economies of rural Navarran communities close to the Project by generating employment and indirect business opportunities. It also acknowledges that the Muga Mine has the potential to significantly reverse the severe depopulation and unemployment affecting the surrounding communities.

GEOALCALI FOUNDATION

Overview

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 Geoalcali will operate its mines.

Projects

Geoalcali's community engagement programme continues to be well received despite the reductions made to adjust its CSR activities budget. The Geoalcali Foundation supports and finances projects related to its four pillars: Quality Education, Social Integration, Sustainability, and Environmental Commitment.

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 1 July 2021, the Company was granted the Mining Concession for the three areas comprising the Muga Project, namely Fronterizo, Muga and Goyo (refer ASX release 5 July 2021, "Muga Project Receives Mining Concession").

This decisive milestone sets the new priorities of the Company for the following months, these being accelerating the pre-construction activities and reviewing the financing options, for both debt and other sources of capital.

An equity placing of A$15m and a Share Purchase Plan raise of A$3.1m were completed in August and September 2021, respectively, through Canaccord and Fosters pursuant to the Company's existing 15% placement capacity under Listing Rule 7.1.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditor to provide the Directors of the Company with an Independence Declaration in relation to the review of the half year financial report. A copy of that declaration is included on page 6 and forms part of this Directors' report for the half year ended 30 June 2021.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

R.A. Crooks

Richard Crookes
Chairman

9 September 2021

Auditor's Independence Declaration

As lead auditor for the review of Highfield Resources Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Andrew Forman
Partner
PricewaterhouseCoopers

Adelaide
9 September 2021

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 30 June 2021

	Note	30 June 2021	30 June 2020
Continuing operations			
Interest received		-	53
Gain on foreign exchange		-	1,294,153
Listing and share registry expenses		(40,019)	(26,606)
Professional and consultants' fees		(253,133)	(368,906)
Director and employee costs		(1,141,557)	(1,197,264)
Share-based payments expense	8	(279,533)	(1,104,000)
Travel and accommodation		(1,316)	(34,587)
Donations		(13,852)	(104,633)
Depreciation		(16,631)	(18,997)
Impairment of deferred exploration and evaluation expenditure	4	-	(18,721,810)
Interest paid		(30,338)	-
Loss on foreign exchange		(249,874)	-
Other Expenses		(519,774)	(454,717)
Loss before income tax		**(2,546,027)**	**(20,737,314)**
Income tax expense		-	-
Net loss for the period		**(2,546,027)**	**(20,737,314)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(413,380)	1,954,843
Other comprehensive income for the period net of tax		**(413,380)**	**1,954,843**
Total comprehensive loss for the period		**(2,959,407)**	**(18,782,471)**
Loss per share			
Basic and diluted loss per share (cents)		(0.77)	(6.29)

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

Condensed Consolidated Statement of Financial Position
as at 30 June 2021

	Note	30 June 2021	31 December 2020
Current Assets			
Cash and cash equivalents		12,639,678	20,202,057
Other receivables	3	812,350	292,116
Total Current Assets		13,452,028	20,494,173
Non-Current Assets			
Other receivables	3	444,281	490,692
Property, plant and equipment		72,610	89,857
Deferred exploration and evaluation expenditure	4	116,002,675	112,296,472
Total Non-Current Assets		116,519,566	112,877,021
Total Assets		129,971,594	133,371,194
Current Liabilities			
Trade and other payables	5	3,794,869	4,514,595
Total Current Liabilities		3,794,869	4,514,595
Total Liabilities		3,794,869	4,514,595
Net Assets		**126,176,725**	**128,856,599**
Equity			
Issued capital	6	172,653,405	172,653,405
Reserves	7	29,230,514	29,364,361
Accumulated losses		(75,707,194)	(73,161,167)
Total Equity		**126,176,725**	**128,856,599**

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

Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2021

	Issued capital	Accumulated losses	Share-based payments reserve	Foreign exchange translation reserve	Option premium reserve	Total
Balance at 1 January 2020	**172,618,930**	**(48,770,449)**	**23,345,124**	**5,784,097**	**1,000**	**152,978,702**
Total comprehensive loss for the period						
Loss for the period	-	(20,737,314)	-	-	-	(20,737,314)
Other comprehensive income – foreign currency translation	-	-	-	1,954,843	-	1,954,843
Total comprehensive loss for the period	-	(20,737,314)	-	1,954,843	-	(18,782,471)
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
Share-based payment	-	-	1,104,000	-	-	1,104,000
Balance at 30 June 2020	**172,618,930**	**(69,507,763)**	**24,449,124**	**7,738,940**	**1,000**	**135,300,231**
Balance at 1 January 2021	**172,653,405**	**(73,161,167)**	**25,221,088**	**4,142,273**	**1,000**	**128,856,599**
Total comprehensive income for the period						
Loss for the period	-	(2,546,027)	-	-	-	(2,546,027)
Other comprehensive loss – foreign currency translation	-	-	-	(413,380)	-	(413,380)
Total comprehensive income for the period	-	(2,546,027)	-	(413,380)	-	(2,959,407)
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
Share-based payment	-	-	279,533	-	-	279,533
Balance at 30 June 2021	**172,653,405**	**(75,707,194)**	**25,500,621**	**3,728,893**	**1,000**	**126,176,725**

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

Condensed Consolidated Statement of Cash Flows

for the half year ended 30 June 2021

	30 June 2021	30 June 2020
Cash flows from operating activities		
Payments to suppliers and employees	(2,229,833)	(3,724,115)
Interest (paid)/received	(20,507)	53
Other receipts including GST/VAT received	602,771	1,423,609
Net cash used in operating activities	**(1,647,569)**	**(2,300,453)**
Cash flows from investing activities		
Purchase of plant and equipment	(2,226)	(8,378)
Payments for exploration and evaluation expenditure	(5,742,294)	(10,081,533)
Net cash used in investing activities	**(5,744,520)**	**(10,089,911)**
Cash flows from financing activities		
Proceeds from conversion of options	-	-
Payments for share issue costs	-	-
Net cash provided by financing activities	**-**	**-**
Net decrease in cash and cash equivalents	(7,392,089)	(12,390,364)
Cash and cash equivalents at the beginning of the period	20,202,057	39,980,019
Effect of exchange rate fluctuations on cash	(170,290)	1,129,240
Cash and cash equivalents at the end of the period	**12,639,678**	**28,718,895**

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

Notes to the Condensed Financial Statements

for the half year ended 30 June 2021

1. Corporate Information

The condensed consolidated financial report of Highfield Resources Limited ("Highfield" or "the Company") and its subsidiaries (together referred to as the "Group") for the half year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 8 September 2021. Highfield is a company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

These condensed consolidated financial statements for the half year reporting period ended 30 June 2021 have been prepared in accordance with applicable accounting standards including AASB 134 "Interim Financial Reporting" and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 "Interim Financial Reporting".

These half year condensed consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these half year condensed financial statements are to be read in conjunction with the consolidated financial statements for the year ended 31 December 2020 and any public announcements made by Highfield during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) New and amended standards adopted by the Group

No new or amended standards have been adopted by the Group during the period.

(c) 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 is reclassified to development.

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

	30 June 2021	31 December 2020
3. Other Receivables		
Current		
GST receivable	50,720	41,642
VAT receivable	98,365	210,237
Prepayments	439,436	31,980
Guarantees and deposits	223,829	40,237
	812,350	**324,096**
Non-current		
Guarantees and deposits	444,281	458,712
	444,281	**458,712**

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, which are expected to be recoverable.

4. Deferred Exploration & Evaluation Expenditure

Opening balance	112,296,472	116,966,324
Exploration and evaluation expenditure incurred during the period	4,239,001	15,480,973
Net exchange differences on translation	(532,798)	(1,429,015)
Impairments[1]	-	(18,721,810)
Closing balance	**116,002,675**	**112,296,472**

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

[1] No impairment was made in the half year ended 30 June 2021. An impairment was recorded in the half year ended 30 June 2020 in relation to two of the Company's exploration and evaluation projects. The Company was advised in the fourth quarter of 2018 that the second three-year extension application for the Adiós and Quiñones permits had been rejected by the mining department of the Government of Navarra. The Company appealed this decision in 2019 and has so far not obtained a resolution. In the fourth quarter of 2020, the Company was advised that the second three-year extension application for the Ampliación de Adiós permit was rejected by the mining department of the Government of Navarra. The Company appealed this decision in the last quarter of 2020, in line with the ongoing process of the other two SdP permits. Based on local Spanish legal advice, the continued lack of a resolution to the appeal is not seen as a reflection on the merits of the appeal, nor does it represent a significant change with an adverse effect on the entity. The Company continues to believe that the three 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 appeals lodged.

With regard to the Pintanos tenement area, Molineras 1 exploration permit is active but the award of the permits at Molineras 2 and Puntarrón remain outstanding, more than seven years since the original applications were submitted.

For Molineras 1, the Company expenses exploration expenditure as a cost in the Consolidated Statement of Profit and Loss until there is a high degree of certainty regarding the successful development and commercial exploitation or sale of the respective mining area, at which time it will also consider an impairment reversal.

Although the Company believes the outstanding permits will be awarded for both projects in due course, an impairment expense of $18,721,810 was recorded in the half year ended 30 June 2020 in relation to Sierra del Perdón ($13,109,629) and Pintanos ($5,612,181) to reflect the uncertainty that the expenses previously deferred in both tenements were to be recovered in full from successful development or by sale.

	30 June 2021	31 December 2020
5. Trade and Other Payables		
Trade payables	1,381,894	1,129,613
Other payables	39,047	26,919
Accruals	2,373,928	3,358,063
	3,794,869	**4,514,595**

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

	30 June 2021	31 December 2020
6. Issued Capital		
(a) Issued and paid up capital		
Issued and fully paid	**172,653,405**	**172,653,405**

	30 June 2021	
	No.	**$**
(b) Movements in ordinary shares on issue		
Half year ended 30 June 2021:		
Opening balance	329,600,171	172,653,405
Shares issued upon conversion of unlisted options	-	-
Transaction costs on share issue	-	-
Closing balance	**329,600,171**	**172,653,405**

	30 June 2021	31 December 2020
7. Reserves		
Share-based payment reserve[1]	25,500,621	25,221,088
Foreign currency translation reserve[2]	3,728,893	4,142,273
Option premium reserve[3]	1,000	1,000
	29,230,514	**29,364,361**

[1] 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.

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

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

	Half year ended 30 June 2021	Half year ended 30 June 2020
8. Share-based Payments		

Share-based payment transactions recognised as operational expenses in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income during the period were as follows:

	Half year ended 30 June 2021	Half year ended 30 June 2020
Options granted during the period	-	461,841
Options granted in prior periods	279,533	642,159
	279,533	**1,104,000**

Employee share-based payments

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 each period is determined using the binomial method, 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.

No options were granted during the half year ended 30 June 2021. An option award was made under the ELTIP subsequent to 30 June 2021, the expense for which will be recorded in the Company's financial statements for the year ended 31 December 2021.

9. Capital Expenditure Commitments

At 30 June 2021, the Group had entered into a number of contracts as part of the development of its Muga Project in Spain. The expected payments in relation to these contracts which were not required to be recognised as liabilities at 30 June 2021 amounted to approximately $84m. Of this amount approximately $80m will only become commitments once Notices to Proceed are issued to equipment suppliers, which will only occur once sufficient permitting and financing has been achieved. In the meantime, the contracts are able to be terminated by the Company at any point in time. The amount payable following termination would be approximately $2m.

10. Dividends

No dividend was paid or declared by the Company in the half year ended 30 June 2021 or in the period since the end of the half year financial period and up to the date of this report.

11. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 30 June 2021 (31 December 2020: Nil).

12. Significant Events after the Reporting Period Events

On 1 July 2021, the Company was granted the Mining Concession for the three areas comprising the Muga Project, namely Fronterizo, Muga and Goyo (refer ASX release 5 July 2021, "Muga Project Receives Mining Concession").
This decisive milestone sets the new priorities of the Company for the following months, these being accelerating the pre-construction activities and reviewing the financing options, for both debt and other sources of capital.

An equity placing of A$15m and a Share Purchase Plan raise of A$3.1m were completed in August and September 2021, respectively, through Canaccord and Fosters pursuant to the Company's existing 15% placement capacity under Listing Rule 7.1.

In the opinion of the Directors of Highfield Resources Limited:

1. The attached condensed financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half year then ended; and.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

R.A. Crookes

Richard Crookes
Chairman

9 September 2021

Independent auditor's review report to the members of Highfield Resources Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Highfield Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated statement of financial position as at 30 June 2021, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Highfield Resources Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Forman
Partner

Adelaide
9 September 2021