

Dear Shareholders,

On behalf of Board of Directors, it is my pleasure to invite you to attend the 2022 Annual General Meeting (AGM) of Highfield Resources Limited (Highfield or the Company) which will be held on Thursday, 26 May 2022.

In recent years Government restrictions have hindered physical AGMs but thankfully one positive outcome of the pandemic is the ability to stage virtual meetings in conjunction with physical AGMs. We recognise the AGM is an important opportunity for shareholders to engage with the Company and its Board. With the easing of most pandemic restrictions, we are pleased to be able to offer shareholders and proxy holders the opportunity to participate in this year's AGM either virtually (through an online secure platform that will allow viewing a live webcast as well as the ability to ask questions and vote) or by attending the AGM in person in Adelaide.

As the newly appointed Chairman of Highfield, I am very much looking forward to addressing the forthcoming AGM. Shortly after joining the Board, I had the opportunity to attend a Non-Deal Roadshow in Australia in April where I met several of our existing shareholders whilst also sharing our story to potential institutional and retail investors. With my background in strategy, mergers & acquisitions, and capital markets for mining companies I cannot express my excitement more highly in chairing Highfield at a time of such renewed interest in potash markets and our Muga Project (Muga or the Project).

The geopolitical backdrop in Europe has evolved rapidly following the Russia / Ukraine conflict and the world is currently experiencing unprecedented disruption in a range of global commodity markets, including a significant impact in the global potash sector. The introduction of broad economic sanctions against Russia and Belarus (which combined account for ~38% of global potash production) has placed additional upward pressure on Muriate of Potash (MOP) prices whilst also forcing parties seeking MOP offtake to publicly express their urgency in seeking new supply sources. This recent price pressure adds to the ongoing global supply disruptions created by COVID-19. These factors, along with the continual de-risking of the Project, have combined to increase the strategic importance and recognition of Muga as an important long term and secure source of supply for the European and global markets.

Over the past year the Company's executive team lead by our Spanish born and based CEO and Managing Director, Ignacio Salazar, has achieved several key milestones on the pathway to further de-risking Muga. These include securing the mining concession for the Project, the signing of additional purchase contracts required to support construction the finalization of the pre-production logistics strategy, agreeing a non-binding indicative term sheet of a EUR 312 million senior secured project financing package with a consortium of major European banks

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whilst also advancing the preparation of construction with key contractors and making positive progress towards the finalization and the granting of the construction licenses for both the Muga mine and process plant.

Items of Business

The enclosed Notice of Meeting details the items of business for shareholders to consider at the meeting together with further explanatory notes. Our AGM is an opportunity for you to share your views directly with the Board. If you are unable to attend the AGM in person or virtually, I encourage you to complete and lodge the enclosed proxy form as soon as possible and, in any event, no later than 3.30 pm (Adelaide time) 24 May 2022. Instructions on how to vote by proxy are set out on the proxy form and in the Notice of Meeting.

You may choose to consider and vote on the following resolutions:

- The adoption of the FY2021 Remuneration Report
- The re-election of Ms Pauline Carr as an independent non-executive Director
- The election of CEO, Mr Ignacio Salazar, and Mr Paul Harris as Directors
- The issue of options to Mr Ignacio Salazar and Mr Paul Harris
- The approval of previous issue of shares under ASX LR 7.1
- The approval of 10% placement capacity
- The renewal of the Proportional Takeover Provisions

The Highfield Board recommends shareholders vote in favour of all resolutions. Further details on each of these resolutions are set out in the Notice of Meeting.

I would like to thank all our shareholders for their loyalty and continued support. I also wish to thank my fellow Board members, the management team, and our dedicated employees for their efforts during what was another pandemic-challenged year. They have clearly made a positive impact on the capitalization of the Company. I would like to extend a special thank you to Richard Crookes, the former Chairman, who left the Company exceptionally well-positioned to advance Muga into construction then production. **We wish** Richard all the success in his new business venture.

We look forward to your attendance, be it physical or virtual and the opportunity to engage with you at our 2022 AGM.

Paul Harris



26 April 2022

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**HIGHFIELD RESOURCES LIMITED
ACN 153 918 257**

**NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM**

Date of Meeting
Thursday 26 May 2022

Time of Meeting
3.30 pm (Adelaide time)

Place of Meeting
HLB Mann Judd
Level 1, 169 Fullarton Rd
ADELAIDE South Australia 5065

via webcast
<https://ccmediaframe.com?id=aYzdkCwA>

IMPACTS OF COVID-19 ON THE MEETING

Given that there remains some unpredictability in relation to the COVID-19 situation and the travel and public gathering restrictions in Australia, that may be put in place at very short notice, the Company will be holding the AGM both in person and virtually. In the event that travel and public gathering restrictions are put in place the Company will hold the meeting only by virtual means. Shareholders will be notified if this occurs.

As was the case last year the Company will decide the outcome of voting on the resolutions in the Notice by proxy voting, submitted ahead of the Meeting, and via online poll voting.

The Company strongly encourages all shareholders to lodge a directed proxy vote prior to the cut-off date for proxy voting as set out in the Notice. To lodge your proxy, please follow the directions on your personalised proxy form which will be enclosed with the copy of the Notice, delivered to you by email or post (depending on your communication preferences).

The Company is happy to answer questions prior to the close of proxy voting via email, such questions should be sent to the following email address k_adams@geocali.com.

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NOTICE OF ANNUAL GENERAL MEETING

HIGHFIELD RESOURCES LIMITED ACN 153 918 257

Notice is hereby given that the Annual General Meeting of shareholders of Highfield Resources Limited (**Company**) will be held at HLB Mann Judd Level 1, 169 Fullarton Rd, Adelaide, South Australia 5065 and via webcast at 3.30 pm (Adelaide time) on Thursday 26 May 2022.

Ordinary Business

To consider the Financial Statements for the financial year ended 31 December 2021 and accompanying reports of the Directors and Auditor.

Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, pass, with or without amendment, the following resolution as a non-binding ordinary resolution:

'That the Company adopt the Remuneration Report for the year ended 31 December 2021 as set out in the Company's Annual Report for the year ended 31 December 2021.'

Resolution 2: Re-election of Ms Pauline Carr as Director

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That Ms Pauline Carr, having voluntarily retired in accordance with clause 12.11.1 of the Constitution and being eligible, and offering herself, for re-election, is re-elected as a Director with effect immediately following the conclusion of the Meeting.'

Resolution 3: Election of Mr Ignacio Salazar as Director

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That Mr Ignacio Salazar, being a person who in accordance with clause 12 of the Constitution has at least 35 business days before the Meeting served on the Company a notice of nomination to be a Director, is elected as a Director with effect immediately following the conclusion of the Meeting.'

Resolution 4: Election of Mr Paul Harris as Director

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That Mr Paul Harris, being a person who in accordance with clause 12 of the Constitution has at least 35 business days before the Meeting served on the Company a notice of nomination to be a Director, is elected as a Director with effect immediately following the conclusion of the Meeting.'

Resolution 5: Issue of Options to Non-Executive Director - Mr Paul Harris

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'Subject to the passing of Resolution 4, that for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 1,000,000 options to Mr Paul Harris (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'

Resolution 6: Issue of Options to Managing Director – Mr Ignacio Salazar

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That for the purpose of Listing Rule 10.14 and for all other purposes, approval is given to the issue by the Company of 2,209,318 options to Mr Ignacio Salazar under the employee incentive scheme known as 'Highfield Resources Limited Employee Long Term Incentive Plan' on the terms and conditions set out in the Explanatory Memorandum.'

Resolution 7: Approval of Previous Issue of Shares – ASX Listing Rule 7.1

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval is given to the previous issue by the Company of 24,041,085 Shares under ASX Listing Rule 7.1 on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.'

Resolution 8: Approval of 10% Placement Facility

To consider and, if thought fit, pass, with or without amendment, the following resolution as a **special resolution**:

'That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.'

Resolution 9: Renewal of Proportional Takeover Provisions

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

'That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to modify its existing Constitution by renewing clauses 8.12 to 8.22 inclusive for a period of 3 years from the date of approval of this Resolution.'

DATED 26 APRIL 2022

**BY ORDER OF THE BOARD
HIGHFIELD RESOURCES LIMITED**



**Katelyn Adams
COMPANY SECRETARY**

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NOTES:

1. Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting and should be read in conjunction with this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of Annual General Meeting and the Explanatory Memorandum.

2. Voting Exclusion Statements

Resolution 1

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (i) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (ii) the person is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Resolution 5

- For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 5 if:
 - the person is either:
 - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
 - a Closely Related Party of such a member; and
 - the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and

- the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.
- For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Mr Harris (or his nominee); or any other person who will obtain a material benefit as a result of the issue of options (except a benefit solely by reason of being a holder of ordinary securities in the Company)
 - an associate of any of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6

- For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 6 if:
 - the person is either:
 - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
 - a Closely Related Party of such a member; and
 - the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and

- the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.
- For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 6 by or on behalf of any :
 - persons referred to in listing rule 10.14.1, 10.14.2 or 10.1.3 who is eligible to participate in the employee incentive scheme in question; or
 - any associates of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 7

- For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 7 by or on behalf of any:
 - persons referred to in listing rule 10.14.1, 10.14.2 or 10.1.3 who is eligible to participate in the employee incentive scheme in question.; or
 - any associates of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or

- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

However, the Company will not disregard a vote if:

- (i) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Proxies

A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To record a valid vote, a shareholder will need to take the following steps:

- 3.1 cast the shareholder's vote online by visiting www.advancedshare.com.au/investor-login or, if using a mobile device, by scanning the QR code on the shareholder's proxy form and entering the shareholder's registered postcode; or
- 3.2 complete and lodge a validly completed and signed paper proxy form at the share registry of the Company, Advanced Share Registry Services:
 - (a) in person at the following address:
Advanced Share Registry
110 Stirling Highway
NEDLANDS WA 6009

OR

- (b) by post at the following address:
Advanced Share Registry

PO Box 1156
NEDLANDS WA 6909

OR

(c) by facsimile on (08) 6370 4203 (within Australia) or +61 8 6370 4203 (outside Australia); or

3.3 for Intermediary Online subscribers only (custodians), cast the shareholder's vote online by visiting www.advancedshare.com.au/investors.aspx,

so that it is received no later than 3.30 pm (Adelaide time) on Tuesday 24 May 2022.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 1 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the chair may change his or her voting intention on any resolution, in which case an ASX announcement will be made.

4. 'Snap Shot' Time

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7.00 pm (Adelaide time) on Tuesday 24 May 2022 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening the Annual General Meeting of shareholders of Highfield Resources Limited to be held on Thursday 26 May 2022. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 9 (inclusive).

1. RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

The Annual Report for the year ended 31 December 2021 contains a Remuneration Report which sets out the remuneration policy of the Company.

An electronic copy of the Annual Report is available to download or view on the Company's website at www.highfieldresources.com.au. The Annual Report has also been sent by post to those shareholders who have previously elected to receive a hard copy. In addition, the Company has also enabled online voting, details of which are explained on the proxy form.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 1 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

Section 250R(4) of the Corporations Act prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, under section 250R(5) of the Corporations Act a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (b) the person is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 1 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the proxy form.

Resolution 1 is an advisory resolution.

The chair intends to vote undirected proxies in favour of Resolution 1.

Please also note that under sections 250U and 250V of the Corporations Act, if at two consecutive annual general meetings of a listed company at least 25% of votes cast on a resolution that the remuneration report be adopted are against adoption of the report, at the second of these annual general meetings there must be put to the vote a resolution that another meeting be held within 90 days at which all directors (except the managing director) who were directors at the date the remuneration report was approved at the second annual general meeting must stand for re-election. So, in summary, shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report receives 'two strikes'. The Remuneration Report did not receive a 'first strike' at the Company's last annual general meeting.

2. **RESOLUTION 2: RE-ELECTION OF MS PAULINE CARR AS DIRECTOR**

Clause 12.11.1 of the Constitution requires that at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third must retire from office. Clause 12.13 of the Constitution provides that a Director retiring at an annual general meeting who is not disqualified by law from being reappointed is eligible for re-election. Accordingly, Ms Pauline Carr retires as a Director and, being eligible, offers herself for re-election.

A resume for Ms Carr follows:

Ms Pauline Carr

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

Originally trained as an accountant, Ms. Carr has over 30 years' commercial experience in management, corporate governance and compliance, mergers and acquisitions, investor and stakeholder relations and company reorganisations. She is currently a professional non-executive director and also provides business improvement, compliance, risk management, project management and corporate governance solutions to executive management teams. Prior to this, Ms. Carr held senior positions with Newmont Asia Pacific and ASX listed Normandy Mining Limited and worked for a number of years in the oil and gas sector with Exxon Mobil. She sits on several Boards and is Chancellor of the University of South Australia. She is also Chairman of the South Australian Minerals and Energy Advisory Council and National Pharmacies, and a Non-Executive Directors of ASX listed Australian Rare Earths Limited.

Ms Carr has a Bachelor of Economics, an MBA, is a chartered secretary and is a Fellow of the Governance Institute of Australia and a Fellow of the Australian Institute of Company Directors.

Resolution 2 is an ordinary resolution.

The Directors (with Ms Carr abstaining) recommend that shareholders vote in favour of Resolution 2.

The chair intends to vote undirected proxies in favour of Resolution 2.

3. **RESOLUTION 3: ELECTION OF MR IGNACIO SALAZAR AS DIRECTOR**

Clause 12 of the Constitution provides that a person may be appointed as a Director at a general meeting if he or she has at least 35 business days before the meeting served on the Company a notice of nomination to be a Director. Mr Ignacio Salazar has served on the Company a notice of nomination to be a Director pursuant to clause 12 of the Constitution. Accordingly, Mr Salazar stands for election as a Director.

A resume for Mr Salazar follows:

Mr Ignacio Salazar

Managing Director and Chief Executive Officer

Spanish born Mr. Salazar is an international executive with more than 30 years of experience in the natural resources industry. He has lived and worked in various countries in Europe and South America. Ignacio assumed the position of CEO of Highfield in July 2020, after coming from Orosur Mining, a Canadian gold mining company with operations in Colombia, Uruguay and Chile, which is listed in the London and Toronto stock markets, and in which he worked as CEO and CFO for 12 years. Salazar had previously pursued an 18-year international career in oil and gas exploration and production with Royal Dutch Shell.

Educated at the University of Deusto (Bilbao) where he completed his master's degrees in Economics and Business and Law, Ignacio has extensive experience in the exploration, development, construction and operation of open pit and underground mines, as well as in the development of local relations with communities and governments, and international relations within the industry and in the capital markets from London, Europe and North America, both raising capital and in mergers and acquisitions. Mr Salazar joined the Board as Managing Director on 28 July 2021.

Resolution 3 is an ordinary resolution.

The Directors (with Mr Salazar abstaining) recommend that shareholders vote in favour of Resolution 3.

The chair intends to vote undirected proxies in favour of Resolution 3.

4. RESOLUTION 4: ELECTION OF MR PAUL HARRIS AS DIRECTOR

Clause 12 of the Constitution provides that a person may be appointed as a Director at a general meeting if he or she has at least 35 business days before the meeting served on the Company a notice of nomination to be a Director. Mr Paul Harris has served on the Company a notice of nomination to be a Director pursuant to clause 12 of the Constitution. Accordingly, Mr Harris stands for election as a Director.

A resume for Mr Harris follows:

Mr Paul Harris

Independent Non-Executive Director and Board Chairman

Mr Harris has over 25 years' experience in financial markets and investment banking, including roles with Citibank, Bankers Trust and Merrill Lynch advising mining organisations on strategy, mergers and acquisitions, and capital markets. He is well known by the Australian investment community and was also Managing Director – Head of Metals and Mining at Citi for several years. Most recently Paul has been working with mining company boards as a non-executive director as well as providing advisory services on strategy and finance. He is currently the non-executive Chairman of ASX-listed Aeon Metals Limited (ASX: AML) and a non-executive Director of ASX listed Aurelia Metals Ltd (ASX:AMI).

Mr Harris has a Master of Engineering (Mining) and a Bachelor of Commerce (Finance) and is a graduate of the Australian Institute of Company Directors.

Resolution 4 is an ordinary resolution.

The Directors (with Mr Harris abstaining) recommend that shareholders vote in favour of Resolution 4.

The chair intends to vote undirected proxies in favour of Resolution 4.

5. **RESOLUTION 5: ISSUE OF OPTIONS TO NON-EXECUTIVE DIRECTOR - MR PAUL HARRIS**

5.1 **General**

Subject to the passing of Resolution 4, The Company has agreed, subject to obtaining shareholder approval, to issue commencement options to Mr Harris. Resolution 5 seeks shareholder approval for the grant of 1,000,000 options to Mr Paul Harris (or his nominee).

Mr Harris was appointed to the Board on 25 March 2022 as a non-executive Director and Chairman of the Board. Consistent with the Board's approved remuneration guidelines, the Board has determined that, subject to shareholder approval, Mr Harris be issued 1,000,000 unlisted options in the Company. The exercise price of the proposed option issue is \$1.07 per option (based on the VWAP for the month preceding his appointment on 25 March 2022, plus a 25% premium) which is a 9.33% premium to the Company's closing share price as at 22 April 2022. These options will expire three years after issue if not exercised.

5.2 **Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the options constitutes giving a financial benefit and Mr Harris is a related party of the Company by virtue of being a current Director.

The Directors consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because the grant of the options is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

5.3 **Listing Rule 10.11**

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies.

As the grant of the options involves the issue of securities to a related party of the Company, shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

Approval pursuant to Listing Rule 7.1 is not required for the grant of the options as approval is being obtained under Listing Rule 10.11. Accordingly, the grant of the options will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

If Resolution 5 is passed, the Company will be able to proceed with the issue of Related Party Options.

If Resolution 5 is not passed, the Company will not be able to proceed with the issue of Related Party Options.

5.4 **Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 5:

- (a) The options will be granted to Mr Harris (or his nominee), a Director of the Company and therefore a related party in accordance with Listing Rule 10.11.1
- (b) 1,000,000 options will be granted.
- (c) The options will be granted no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (d) The options will be issued for nil cash consideration, accordingly no funds will be raised (until if and when they are exercised).
- (e) The options are being issued in accordance with Mr Harris' Terms of Appointment to the position of Non-Executive Director and Chairman of the Company. Mr Harris is entitled to receive a fee of A\$120,000 gross per annum.
- (f) The terms and conditions of the options are set out in Annexure B.

Resolution 5 is an ordinary resolution.

The Directors (other than Mr Harris) do not have an interest in the outcome of Resolution 5 and recommend that shareholders vote in favour of Resolution 5.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 5 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 5 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of Resolution 5.

6. **RESOLUTION 6: ISSUE OF OPTIONS TO MANAGING DIRECTOR – MR IGNACIO SALAZAR**

6.1 **General**

The Company has agreed, subject to obtaining shareholder approval, to issue options to its Managing Director as part of his long term incentive based remuneration package. Resolution 6 seeks shareholder approval for the issue of 2,209,318 options, each to

acquire one ordinary share in the Company, under the Highfield Resources Limited Employee Long Term Incentive Plan (**Plan**) to the Managing Director Mr Ignacio Salazar (**Options**) for the financial year 1 January 2022 to 31 December 2022.

Each Option will vest as one share. In order for the Options to vest as shares Mr Salazar must be an employee of the Highfield Group as at the vesting assessment date of the respective tranche (**Vesting Condition**) as shown below:

Tranche 1 736,440 Options – Vesting assessment date 31 December 2022
Tranche 2 736,439 Options – Vesting assessment date 31 December 2023
Tranche 3 736,439 Options – Vesting assessment date 31 December 2024

Unless the Board determines otherwise, in the event that the Vesting Condition of any tranche is not met, the Options for that tranche will not vest and, as a result, no new shares will be issued for that tranche.

Once vested, Options will be exercisable at \$0.94 per share (calculated on the VWAP for December 2021, being the month preceding the start of the 2022 financial and LTI Plan year, plus a 25% premium). All of the Options will have a three year exercise period commencing after the vesting assessment date as shown below:

Tranche 1 Vesting date 31 December 2022. Expiry Date 31 December 2025
Tranche 2 Vesting date 31 December 2023. Expiry Date 31 December 2026
Tranche 3 Vesting date 31 December 2024. Expiry Date 31 December 2027

Full details of the terms and conditions of the Options are set out in Annexure A.

Mr Salazar was appointed to the Board effective 28 July 2021 as the Managing Director. As part of his incentive based remuneration package, the Board has determined that, subject to shareholder approval, Mr Salazar be issued 2,209,318 unlisted Options in the Company pursuant to the terms of the Plan for the 2022 financial year which commenced on 1 January 2022.

The Options will be granted as a component of Mr Salazar's remuneration in order to retain his expertise and provide an incentive linked to the longer term performance of the Company relative to the market.

6.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Options to Mr Salazar constitutes giving a financial benefit and Mr Salazar is a related party of the Company by virtue of being a current Director.

The Directors (other than Mr Salazar) consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because the grant of the Options is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

6.3 Listing Rule 10.14

Listing Rule 10.14 requires shareholder approval for the acquisition of securities by a director (or an associate of a director) of the entity (or a person whose relationship with the entity or the director or associate, is in ASX's opinion, such that approval should be obtained) under an employee incentive scheme.

The approval sought is to grant Mr Salazar 2,209,318 Options under the Plan. Options are relevant securities for the purposes of Listing Rule 10.14.

As the grant of the Options involves the acquisition by a director of the Company of securities under an employee incentive scheme, shareholder approval pursuant to Listing Rule 10.14 is required. It is the view of the Directors that the exceptions set out in Listing Rule 10.15B do not apply in the current circumstances.

Approval pursuant to Listing Rule 7.1 is not required for the grant of the Options as approval is being obtained under Listing Rule 10.14. Accordingly, the grant of Options will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

If Resolution 6 is passed, the Company will be able to proceed with the issue of Related Party Options.

If Resolution 6 is not passed, the Company will not be able to proceed with the issue of Related Party Options.

6.4 Technical Information required by Listing Rule 10.15

For the purposes of Listing Rule 10.15 information regarding the proposed Options grant is provided in relation to Resolution 6 as follows:

- Subject to shareholder approval, it is proposed that the Managing Director, Mr Salazar, be issued 2,209,318 Options to acquire ordinary shares in the Company, pursuant to the Plan. It is considered appropriate to grant the Options to Mr Salazar as a key component of his remuneration in order to retain his services and provide incentive linked to the performance of the Company.
- Mr Salazar is a Director of the Company and therefore a related party in accordance with Listing Rule 10.11.1
- Mr Salazar's current fixed remuneration package is a gross fixed salary of €446,250 per annum.
- The Options will be issued for nil cash consideration.
- No funds will be raised by the grant of the Options as they are being granted for no consideration. Each Option proposed to be granted entitles Mr Salazar to subscribe for one ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company. The terms and conditions of the Options are set out in Annexure A.
- Mr Salazar has in previous years and prior to him joining the Board received 1,561,735 Options under the Plan since its last approval at the Company's 2020 annual general meeting. These Options were issued for nil cash consideration. Details of prior options issued under the Plan are shown in the Annual Report.

- The persons referred to in Listing Rule 10.14 entitled to participate in the Plan are the current Directors of the Company, however at this time it is intended that only Mr Salazar will receive Options pursuant to the Plan, subject to shareholder approval.

- The options have been valued using the binomial method:

Tranche 1	736,440 Options – Fair Value of \$0.1877 per option
Tranche 2	736,439 Options – Fair Value of \$0.3114 per option
Tranche 3	736,439 Options – Fair Value of \$0.4170 per option

Using the following inputs:

Share price as at 31 December 2021: \$0.90

Exercise Price: \$0.94

Volatility: 73%

Risk Free interest rate: 0.93%

- The key terms of the Long Term Incentive Plan are detailed in Annexure A.
- A voting exclusion statement has been included for the purposes of Resolution 6.
- No loan will be provided by the Company in relation to the grant or exercise of the Options proposed to be provided to Mr Salazar.
- If shareholder approval is obtained, the Options will be granted to Mr Salazar as soon as practicable after the Meeting, but in any event, within 12 months after the Meeting.
- Details of the issue of these options will be published in the annual report for the period to which they relate, along with a statement that approval for the issue was obtained under listing rule 10.14.
- Any additional persons covered by listing rule 10.14 who become entitled to participate in an issue of securities under the scheme after the resolution is approved and who are not named in the notice of meeting will not participate until approval is obtained under that rule.

Resolution 6 is an ordinary resolution.

The Directors (other than Mr Salazar) do not have an interest in the outcome of Resolution 6 and recommend that shareholders vote in favour of Resolution 6.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 6 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 6 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of Resolution 6.

7. **RESOLUTION 7: APPROVAL OF PREVIOUS ISSUE OF SHARES – ASX LISTING RULE 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities in any 12 month period other than the number which is equal to 15% of its fully paid ordinary securities on issue at the start of that 12 month period (**15% share issue capacity**).

ASX Listing Rule 7.4 provides that an issue of securities made without approval under ASX Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of those ASX Listing Rules if shareholders subsequently approve it and the issue did not breach ASX Listing Rule 7.1.

On 9 August 2021, the Company announced a placement of 28,846,154 Shares (**Placement Shares**) at an issue price of \$0.52 (52 cents) per Share to raise \$15,000,000. The Placement Shares were issued on 13 August 2021. All of the Placement Shares were issued without Shareholder approval under ASX Listing Rule 7.1.

Accordingly, the Company is seeking Shareholder approval under ASX Listing Rule 7.4 to approve the issue on 13 August 2021 of:

- 28,846,154 Shares issued under the Company's 15% share issue capacity.

Without Shareholder approval pursuant to ASX Listing Rule 7.4, the issues will be counted towards the Company's 15% share issue capacity to issue securities in the future without obtaining Shareholder approval.

For the purpose of ASX Listing Rule 7.5 information regarding the Placement Shares is provided as follows:

- 28,846,154 Shares have been issued under the Company's 15% share issue capacity.
- The Shares were issued at \$0.52 (52 cents) per Share.
- The terms and conditions of the Shares are the same as the terms and conditions of already issued Shares.
- The allottees of the Shares are professional and sophisticated investor applicants as determined by the Board, none of whom are related parties of the Company.
- Funds raised from the issue of the Shares will be used to provide runway to pursue project finance and other strategic alternatives to complete the construction funding and will to fund pre-construction activities at the Muga Potash Project.

If Resolution 7 is passed, the Company will have the full capacity available under ASX Listing Rule 7.1.

If Resolution 7 is not passed, the issues will be counted towards the Company's 15% share issue capacity to issue securities in the future without obtaining Shareholder approval.

Resolution 7 is an ordinary resolution.

The Directors do not have an interest in the outcome of Resolution 7 and recommend that Shareholders vote in favour of Resolution 7.

The chair intends to vote undirected proxies in favour of Resolution 7.

8. RESOLUTION 8: APPROVAL OF 10% PLACEMENT FACILITY

8.1 General

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25% (**10% Placement Facility**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes.

Resolution 8 seeks shareholder approval by way of special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue Equity Securities without shareholder approval. The exact number of Equity Securities which may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 8.2(c)).

If Resolution 8 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further shareholder approval.

If Resolution 8 is not passed, the Company will not be able to access the 10% Placement Facility and will remain subject to the 15% limit on issuing Equity Securities without shareholder approval set out in Listing Rule 7.1.

8.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue the following classes of Equity Securities:

- ordinary shares quoted on ASX

- options not quoted on ASX

(c) **Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may, during the period of the approval, issue or agree to issue, during the 10% Placement Period (refer to section 5.2(f)), a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of fully paid ordinary securities on issue at the commencement of the relevant period:

- plus the number of fully paid ordinary securities issued in the relevant period under an exception in Listing Rule 7.2 other than exception 9, 16 or 17;
- plus the number of fully paid ordinary securities issued in the relevant period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- plus the number of fully paid ordinary securities issued in the relevant period under an agreement to issue securities within Listing Rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the relevant period; or
 - the agreement or issue was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- plus the number of any other fully paid ordinary securities issued in the relevant period with approval under Listing Rule 7.1 or Listing Rule 7.4;
- plus the number of partly paid ordinary securities that became fully paid in the relevant period;
- less the number of fully paid ordinary securities cancelled in the relevant period.

(Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.)

- D** is 10%
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the relevant period where the issue or agreement has not been subsequently approved by the holders of its ordinary securities under Listing Rule 7.4.

(Note that **relevant period** has the same meaning in Listing Rule 7.1, namely:

- *if the entity has been admitted to the official list for 12 months or more, the 12 month period immediately preceding the date of the issue or agreement; or*
- *if the entity has been admitted to the official list for less than 12 months, the period from the date the entity was admitted to the official list to the date immediately preceding the date of the issue or agreement.)*

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 364,429,887 quoted ordinary shares and therefore has a capacity to issue:

- (i) 54,664,483 Equity Securities under Listing Rule 7.1; and
- (ii) subject to shareholder approval being obtained under Resolution 8, 36,442,988 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 8.2(c)).

(e) Minimum Issue Price

The Equity Securities issued under Listing Rule 7.1A.2 must be issued for a cash consideration per security which is not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date referred to in section 8.2(e)(i), the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the first to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained;

- (ii) the time and date of the entity's next annual general meeting; and
- (iii) the time and date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking),

(10% Placement Period).

8.3 Listing Rule 7.1A

The effect of Resolution 8 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period in addition to using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 8 is a special resolution and therefore requires approval of at least 75% of the votes cast by shareholders entitled to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative) on the Resolution.

8.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:

- (a) The Company may seek to issue the Equity Securities for cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition) and/or general working capital.
- (b) There is a risk that:
 - (i) the market price for the Company's Equity Securities in the same class may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities in the same class on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the risk of voting dilution of existing shareholders on the basis of the current market price of shares and the current number of ordinary shares for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary shares the Company has on issue. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require shareholder approval (for example, a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders' meeting; and

- (i) two examples of where the issue price of ordinary shares has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in formula in Listing Rule 7.1A.2		Issue Price		
		\$0.49 50% decrease in issue price	\$0.98 issue price	\$1.96 100% increase in issue price
Current Variable 'A' 364,429,887 shares	10% voting dilution	36,442,988 shares	36,442,988 shares	36,442,988 shares
	Funds raised	\$17,857,064	\$35,714,128	\$71,428,257
50% increase in current Variable 'A' 546,644,830 shares	10% voting dilution	54,664,483 shares	54,664,483 shares	54,664,483 shares
	Funds raised	\$26,785,597	\$53,571,193	\$107,142,387
100% increase in current Variable 'A' 728,859,774 shares	10% voting dilution	72,885,977 shares	72,885,977 shares	72,885,977 shares
	Funds raised	\$35,714,128	\$71,428,257	\$142,856,515

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- No current options are exercised into shares before the date of the issue of the Equity Securities.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements pursuant to the 10% Placement Facility, based on that shareholder's holding at the date of the Meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and no other issues of Equity Securities.
- The issue of Equity Securities under the 10% Placement Facility consists only of shares.
- The issue price is \$0.98, being the closing price of the shares on ASX on 4 April 2022.

- (c) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities and the number of Equity

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Securities allotted to each will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

- (i) the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which the existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial shareholders (subject to shareholder approval, if required) and/or new shareholders who are not related parties or associates of a related party of the Company.

- (d) The Company previously obtained shareholder approval under Listing Rule 7.1A at its 2021 Annual General Meeting and has not issued or agreed to issue any Equity Securities under Listing Rule 7.1A.2 in the 12 months preceding the date of this Meeting.
- (e) At the time of dispatching this Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A.2.

Resolution 8 is a **special resolution**.

The Directors recommend that shareholders vote in favour of Resolution 8.

The chair intends to vote undirected proxies in favour of Resolution 8.

9. **RESOLUTION 9: RENEWAL OF PROPORTIONAL TAKEOVER PROVISIONS**

9.1 **Proportional takeover provisions in the Company's Constitution**

Clause 8 of the Constitution of the Company includes proportional takeover approval provisions which enable the Company to refuse to register shares acquired under a proportional takeover bid unless a resolution is passed by the shareholders in general meeting approving the offer.

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Under section 648G(1) of the Corporations Act, proportional takeover provisions expire after three years from adoption or renewal and may be renewed. The provisions contained in the Company's Constitution therefore cease to apply, unless renewed, at the AGM.

The Company may renew its proportional takeover approval provisions in the Constitution in the same manner in which the Company may modify its Constitution under section 136(2) of the Corporations Act (i.e. by special resolution of shareholders).

The Company is seeking Shareholder approval to renew these provisions in accordance with the Corporations Act. As a consequence, the Corporations Act requires the Company

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to provide Shareholders with an explanation of the proportional takeover approval provisions as set out below.

9.2 What is a proportional takeover bid?

A proportional takeover bid is a takeover offer sent to all shareholders but only in respect of a specified portion of each shareholder's shares. Accordingly, if a shareholder accepts in full the offer under a proportional takeover bid, it will dispose of the specified portion of its shares in the Company and retain the balance of the shares.

9.3 Effect of the provisions to be renewed

If renewed under clause 8, in the event that a proportional takeover offer is made to Shareholders of the Company, the Board of the Company will be required to convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover. That meeting must be held by the 14th day before the last day of the bid period.

The resolution shall be taken to have been passed if a majority of shares voted at the meeting, excluding the shares of the bidder and its associates, vote in favour of the resolution. If no resolution is voted on by the 14th day before the last day of the bid period, the resolution will be deemed to have been passed. Where the resolution approving the offer is passed or deemed to have been passed, transfers of shares resulting from accepting the offer will be registered provided they otherwise comply with the Corporations Act, the ASX Listing Rules, the ASTC Operating Rules and the Company's Constitution. If the resolution is rejected, then in accordance with the Corporations Act the offer will be deemed to be withdrawn.

9.4 Reasons for proposing the resolution

The Directors consider that Shareholders should have the opportunity to renew clause 8 in the Constitution. Without clause 8, a proportional takeover bid for the Company may enable effective control of the Company to be acquired without Shareholders having the opportunity to dispose of all of their shares to the bidder. Accordingly, Shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their shares whilst leaving themselves as part of a minority interest in the Company.

Without clause 8, if there was a proportional takeover bid and Shareholders considered that control of the Company was likely to pass, Shareholders would be placed under pressure to accept the offer even if they did not want control of the Company to pass to the bidder. Renewing clause 8 of the Constitution will make this situation less likely by permitting Shareholders to decide whether a proportional takeover bid should be permitted to proceed.

9.5 Potential advantages and disadvantages for the Directors and Shareholders of the Company

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

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The potential advantages for Shareholders include the following:

- a) Shareholders have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- b) they may assist Shareholders from being locked in as a minority;
- c) they increase the bargaining power of Shareholders and may assist in ensuring that any proportional takeover bid is adequately priced; and
- d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders and assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages for Shareholders include the following:

- a) proportional takeover bids for shares in the Company may be discouraged;
- b) Shareholders may lose an opportunity to sell some of their shares as a premium; and
- c) the likelihood of a proportional takeover bid succeeding may be reduced.

The Directors do not believe the potential disadvantages outweigh the potential advantages of renewing the proportional takeover provisions.

While similar proportional takeover approval provisions have been in effect in the past, there have been no full or proportional takeover bids for the Company. Therefore, there has been no example against which to review the advantages or disadvantages of the provisions for the Directors and the Shareholders, respectively, during the period during which the proportional takeover provisions have been in effect. On balance, the Directors consider that the possible advantages outweigh the possible disadvantages such that renewal of clause 8 is in the interests of Shareholders.

9.6 Knowledge of any acquisition proposals

As at the date on which the Notice of Annual General Meeting was prepared, no Director of the Company is aware of any proposal to any person to acquire or to increase the extent of a substantial interest in the Company.

9.7 Recommendation of the Board

The Directors consider that the renewal is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 9.

10 GLOSSARY

In this Explanatory Memorandum and Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

10% Placement Facility has the meaning given in section 8.1;

10% Placement Period has the meaning given in section 8.2(f);

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ASX means ASX Limited ACN 008 624 691;

Board means the board of directors of the Company;

Closely Related Party of a member of the Key Management Personnel for an entity means:

- a) a spouse or child of the member;
- b) a child of the member's spouse;
- c) a dependant of the member or of the member's spouse;
- d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- e) a company the member controls; or
- f) a person prescribed as such by the *Corporations Regulations 2001* (Cth);

Company means Highfield Resources Limited ACN 153 918 257;

Constitution means the existing constitution of the Company;

Corporations Act means *Corporations Act 2001* (Cth);

Director means a director of the Company;

Equity Securities has the same meaning as in the Listing Rules;

Key Management Personnel has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company);

Listing Rules means the listing rules of ASX;

Meeting means the meeting of shareholders convened by the Notice;

Notice means the notice of meeting to which this Explanatory Memorandum is attached;

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules; and

VWAP means volume weighted average market price.

ANNEXURE A

(OPTIONS TO MANAGING DIRECTOR UNDER TERMS OF THE HIGHFIELD RESOURCES LIMITED EMPLOYEE LONG TERM INCENTIVE PLAN)

1. Each option entitles the holder to one ordinary share in the Company.
2. Subject to paragraph 3, the options held by the optionholder are exercisable in whole or in part at any time during the period (**Exercise Period**) commencing on the date of grant and expiring at 5.00 pm (CST) on that date which is three (3) years after the date of grant (**Expiry Date**). Options not exercised on or before the Expiry Date will lapse.
3. Prior to the Expiry Date, the options shall vest in three individual tranches as shown below (**Vesting Date**):

Tranche 1 736,440 Options – Vesting date 31 December 2022
Tranche 2 736,439 Options – Vesting date 31 December 2023
Tranche 3 736,439 Options – Vesting date 31 December 2024

providing the participant remains an employee of the Highfield Group as at the respective tranche Vesting Date (each a **Vesting Condition**).
4. The optionholder must notify the Company at least five business days before exercising any options. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.94 per option in cleared funds.
5. The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
6. The Board has the discretion to waive the Vesting Condition, including if any of the following events occur:
 - (a) if a takeover bid is made, the takeover bid is declared unconditional and the bidder has acquired a relevant interest in more than 50% of the Company's shares; or
 - (b) on the date of despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act seeking approval for a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
 - (c) on the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the options, to sufficient shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (a) elect to be registered as the new holder of the options;

- (b) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
- (c) if the deceased has already exercised options, pay the exercise price in respect of those options.

8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

- A = the new exercise price of the option;
 - O = the old exercise price of the option;
 - E = the number of underlying ordinary shares into which one option is exercisable;
 - P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
 - S = the subscription price for a security under the pro rata issue;
 - D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
 - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
11. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

ANNEXURE B

(OPTIONS TO NON-EXECUTIVE DIRECTOR)

1. Each option entitles the holder to one ordinary share in the Company.
2. The options held by the optionholder are exercisable in whole or in part at any time during the period commencing on the date of grant and expiring on 30 June 2025 (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
3. The optionholder must notify the Company at least five business days before exercising any options. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$1.07 per option in cleared funds.
4. The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
5. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (a) elect to be registered as the new holder of the options;
 - (b) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
 - (c) if the deceased has already exercised options, pay the exercise price in respect of those options.
6. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
7. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
8. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

- P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
- S = the subscription price for a security under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
9. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

LODGE YOUR PROXY APPOINTMENT ONLINE



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



MOBILE DEVICE PROXY APPOINTMENT

Lodge your proxy by scanning the QR code below, and enter your registered postcode.

It is a fast, convenient and a secure way to lodge your vote.

IMPORTANT NOTE: While the COVID-19 situation remains volatile and uncertain, based on the best information available to the Board at the time of this Notice, the Company will decide the outcome of voting on the resolutions in the Notice by proxy voting, submitted ahead of the Meeting, and via online poll voting. Please refer to the Notice of Meeting for the webcast information. The Company strongly encourages all shareholders to lodge a directed proxy vote prior to the cut-off date for proxy voting as set out in the Notice.

2022 ANNUAL GENERAL MEETING PROXY FORM

I/We being shareholder(s) of Highfield Resources Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chair of the Meeting **OR**

PLEASE NOTE: If you leave the section blank, the Chair of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) named, the Chair of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held **at HLB Mann Judd, Level 1, 169 Fullarton Rd, ADELAIDE South Australia 5065 and virtually on 26 May 2022 at 3.30 pm (Adelaide time)** and at any adjournment or postponement of that Meeting.

Chair's voting intentions in relation to undirected proxies: The Chair intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances, the Chair may change his/her voting intentions on any Resolution. In the event this occurs, an ASX announcement will be made immediately disclosing the reasons for the change.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though this resolution is connected directly or indirectly with the remuneration of a member(s) of key management personnel, which includes the Chair.

VOTING DIRECTIONS

Resolutions	For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Ms Pauline Carr as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Mr Ignacio Salazar as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Election of Mr Paul Harris as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of Options to Non-Executive Director – Mr Paul Harris	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of Options to Managing Director – Mr Ignacio Salazar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval of Previous Issue of Shares – ASX Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Renewal of Proportional Takeover Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual) Joint Shareholder 2 (Individual) Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary Director/Company Secretary (Delete one) Director

This form should be signed by the shareholder. If a joint holding, all the shareholder should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the Company via email. This may include meeting notifications, dividend remittance, and selected announcements.

For personal use only

STEP 1

STEP 2

STEP 3

HIGHFIELD RESOURCES LIMITED - ANNUAL GENERAL MEETING

While the COVID-19 situation remains volatile and uncertain, based on the best information available to the Board at the time of this Notice, the Company will decide the outcome of voting on the resolutions in the Notice by proxy voting, submitted ahead of the Meeting, and via online poll voting. Please refer to the Notice of Meeting for the webcast information.

The Company strongly encourages all shareholders to lodge a directed proxy vote prior to the cut-off date for proxy voting as set out in the Notice.

The Company is happy to answer questions prior to the close of proxy voting via email, such questions should be sent to the following email address k_adams@geocali.com.

An online poll voting www.advancedshare.com.au/virtual-meeting will be offered to allow Shareholders to vote online during the Meeting. Please refer to the Meeting ID and Shareholder ID on your personalised proxy form to login to the website.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chair as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each resolution of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given resolution, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on a resolution, your vote on that resolution will be invalid.

PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chair) or other member of the Company's key management personnel, or their closely related parties, as your proxy, you must specify how they should vote on Resolution 1, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Resolution 1.

PLEASE NOTE: If you appoint the Chair as your proxy (or if they are appointed by default) but do not direct them how to vote on a resolution (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that resolution), the Chair may vote as they see fit on that resolution.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- Return both forms together.

COMPLIANCE WITH LISTING RULE 14.11

In accordance with Listing Rule 14.11, if you hold shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the shares, you are required to ensure that the person(s) or entity/entities for which you hold the shares are not excluded from voting on resolutions where there is a voting exclusion. Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided.

By lodging your proxy votes, you confirm to the company you are in compliance with Listing Rule 14.11.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR PROXY FORM

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 3.30 pm (Adelaide time) on 24 May 2022, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled Meeting.



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 6370 4203



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033