Half Year Financial Report
30 June 2022

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ABN 51 153 918 257

Highfield Resources

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CORPORATE DIRECTORY

Directors
Mr. Paul Harris (Independent Non-Executive Chairman)
Mr. Ignacio Salazar (CEO and Managing Director)
Ms. Pauline Carr (Independent Non-Executive Director)
Mr. Roger Davey (Independent Non-Executive Director)
Mr. Brian Jamieson (Non-Executive Director)

Company Secretary
Ms. Katelyn Adams

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Stock Exchange
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: HFR

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 2022. 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	Independent Non-Executive Chairman (resigned 24 March 2022)
Mr. Paul Harris	Independent Non-Executive Chairman (appointed 25 March 2022)
Mr. Ignacio Salazar	CEO and Managing Director
Ms. Pauline Carr	Independent Non-Executive Director
Mr. Roger Davey	Independent Non-Executive Director
Mr. Brian Jamieson	Non-Executive Director

Results

The net loss for the half year ended 30 June 2022 was $3.3m (30 June 2021: net loss of $2.5m).

REVIEW OF OPERATIONS

Highfield is a potash company listed on the Australian Securities Exchange (ASX) with three 100% owned potash projects located in Spain's potash producing Ebro Basin. The principal activity of the Group during the half year period was to advance its flagship Muga-Vipasca Potash Project.

MUGA-VIPASCA PROJECT

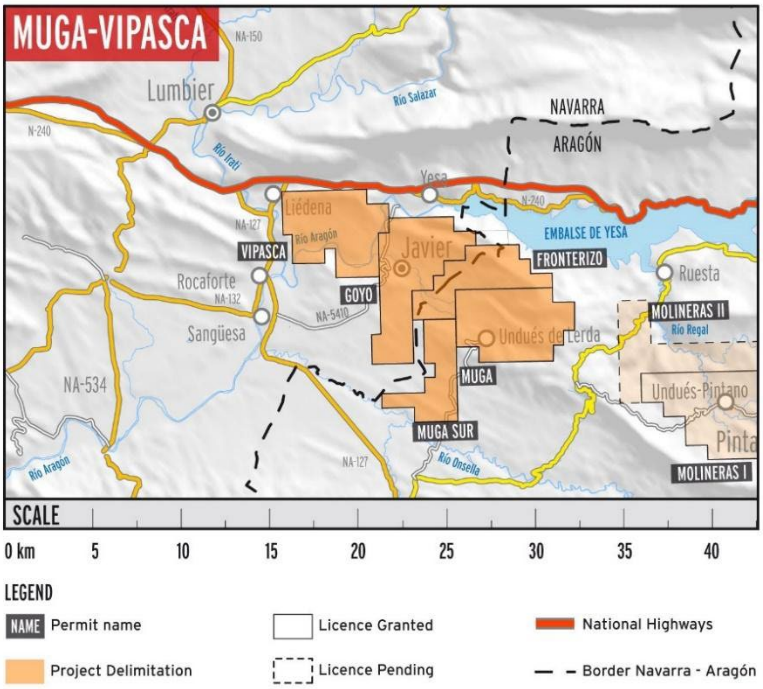
Overview

The Muga Project ("Muga" or "the Project") is targeting the relatively shallow sylvinite beds in the Muga Project area that covers about 46km^2 located in the Regions 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.

Vipasca area 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. However, the geological data obtained in recent years has demonstrated that only the Eastern part of this area is currently economically viable and, therefore, the efforts of the Company have been focused on this sector, the closest to Muga. The eastern part of the Vipasca permit, previously categorised as an Exploration Target, is currently defined as Mineral Resource and is considered an extension to the Muga Mining Concession.

During the first quarter of 2022, the Company requested the Government of Navarra to transfer the Vipasca investigation permit into a mining concession. This is the first step in the process to add Vipasca into the operations of the Company and will be run in parallel with the construction of the Muga mine.

Highfield relinquished the Goyo Sur and Muga P.I. areas within the Muga project due to their lack of geological interest in the first months of the year.



Permitting Update

Following the award of the positive environmental declaration, Declaración de Impacto Ambiental or "DIA" by its Spanish acronym, to Geoalcali in respect of the Muga Project on 31 May 2019, and the granting of the Mining Concession on 1 July 2021, the next milestone the Company has been working for is the obtention of the construction permits. Since then, the Company has maintained a constant dialogue with the townhalls of Sangüesa (Navarra) and Undués de Lerda (Aragón), which are responsible for the construction licences for the processing plant and the mine gate, respectively. Both townhalls requested secondary reports from the governments of Navarra and Aragón to provide further support to their local licencing process.

In the meantime, the Company engaged in discussions with the Navarra administration in order to split the electricity works from the main construction licence of the processing plant. In line with local licencing procedural laws, the townhall of Sangüesa required an official authorisation from the Government of Navarra to allow construction of the electricity line on non-urbanised land before it can complete the construction licence. During the first quarter of 2022, the Government of Navarra issued the authorisation to build the line on a non-urbanised area, which is a key step in advancing the grant of the construction licence, although it is still subject to the urbanistic authorisations of the installations which will supply electricity. The authorisation to build the processing plant on a non-urbanised area is the key step towards the obtention of the construction licence. The Company is now heavily engaged with the Government of Navarra to finalise this part of the permitting process.

As announced on 24 June 2022 (refer ASX release 24 June 2022, "Construction Licence Granted, Muga Mine Gate and Declines"), the townhall of Undués de Lerda in Aragón issued the licence for the construction of the mine gate and the two underground declines required to reach the ore body.

Technical Update

The detailed design for the Project was released to Geoalcali in December 2020, which was analysed and reviewed by the Company's technical team. Geoalcali also prepared a Hazard and Operability Analysis ("HAZOP") report during the first quarter of 2021, assessing the operational risk and undertaking performance stress tests of the final designs. The Company then focused on finalising the purchase of some long lead time equipment, as well as on progressing with the negotiation of the construction agreement and project implementation with Acciona.

In line with the plan, Geoalcali signed an additional contract with Eriez Flotation Division Canada Inc for the purchase of equipment for the processing plant during the fourth quarter 2021, which was followed by two further contracts signed in the first quarter 2022 with Metso Outotec Finland and with TEMA Process BV. These contracts respectively provide the thickeners needed to remove impurities from the brine solution within the crystallization process, and both the potash and salt dryers, as well as the dedusting systems and the wet scrubber of the crushing area. The Company utilised the capital raised in August and September 2021 to sign and to pay deposits on the contracts. that are key to advance the Project towards construction. As all critical process plant equipment has been contracted, this allows the Company to mitigate future inflationary risk.

Construction Update

During the first quarter of 2022, initial construction work commenced at the Muga Mine site. The Company signed a construction contract with Acciona Construcción SA ("Acciona") for these preliminary works which cover the following activities:

- Fencing of the plot;
- Installation of the above ground construction staff facilities;
- Clearing and stockpiling of topsoil;
- Excavation of the mine entrance;
- Formation of embankments; and
- Stabilisation of the slopes with bolts and gunite (dry gun shotcrete).

The ongoing negotiation between Highfield and Acciona for the rest of the construction agreement is making good progress. At the same time the two partners are running a tendering process on an open book basis for the whole construction works.

Marketing Update

Since 2021, the potash market has experienced supply constraints that have worsened because of the sanctions on Russia and Belarus imposed by the US and the EU on the back of the Ukrainian invasion. The ongoing global context has encouraged discussions with traders, potential offtake partners and logistics partners interested in a strategic participation in the Project.

In line with these developments, Geoalcali has been developing its transport and logistics strategy, which is key to develop and implement its sales and marketing plan.

Financing Update

Following the Mining Concession award, the Company raised $15 million via a single-tranche placement (refer ASX release 9 August 2021, "Successful Equity Raise"). The Placement was oversubscribed with strong support from existing and new institutional investors. Following the Placement, the Company also successfully raised $3 million through a Share Purchase Plan ("SPP") that was offered to all eligible retail shareholders (refer ASX release 9 September 2021, "Successful Completion of Share Purchase Plan").

Proceeds of the Placement and the SPP provided a runway to pursue project finance and other strategic alternatives to complete the construction funding and was used to fund plant equipment purchases and pre-construction activities at the Muga Potash Project.

In accordance with its financing strategy, Highfield continued to work closely with Endeavour Financial to secure appropriate financing for Phase 1. A comprehensive due diligence process was undertaken during the fourth quarter 2021. The corresponding due diligence reports were a critical instrument to provide reassurance to the banks in the debt financing process. This process led to the agreement of a non-binding indicative term sheet in the second quarter 2022 for a €312.5 million senior secured project financing package (refer ASX release 31 March 2022, "Non-binding indicative term sheet for a €312.5m senior secured project financing package agreed").

Following this, the Company executed a mandate letter for the €312.5m financing package, referred to as above, to finance the construction of Muga with a group of four international financial institutions, comprising BNP Paribas S.A., ING Bank N.V., Natixis and Societe Generale (London Branch). These banks will be acting as the Mandated Lead Arrangers. The Facility remains subject to the lenders completing their final due diligence and credit approvals (refer ASX release 4 May 2022, "Highfield signs €312.5 million Senior Secured Project Financing Mandate Letter").

Additionally, on 4 July 2022, the Company announced the signing of a non-binding indicative term sheet for €23.3 million for an equipment operating lease facility with Macquarie Group for the Muga Potash Mine. This additional facility is subject to contract and the requisite approvals and will provide financing for the Project's various units of underground mining equipment (refer ASX release 4 July 2022, "€23.3 million Non-Binding Indicative Equipment Operating Lease Financing Term Sheet").

The recent geopolitical developments in Europe combined with the positive progress demonstrated by the Company on the permitting and financing processes are providing impetus to the Company's engagement with potential strategic partners in the context of reviewing alternative financing options.

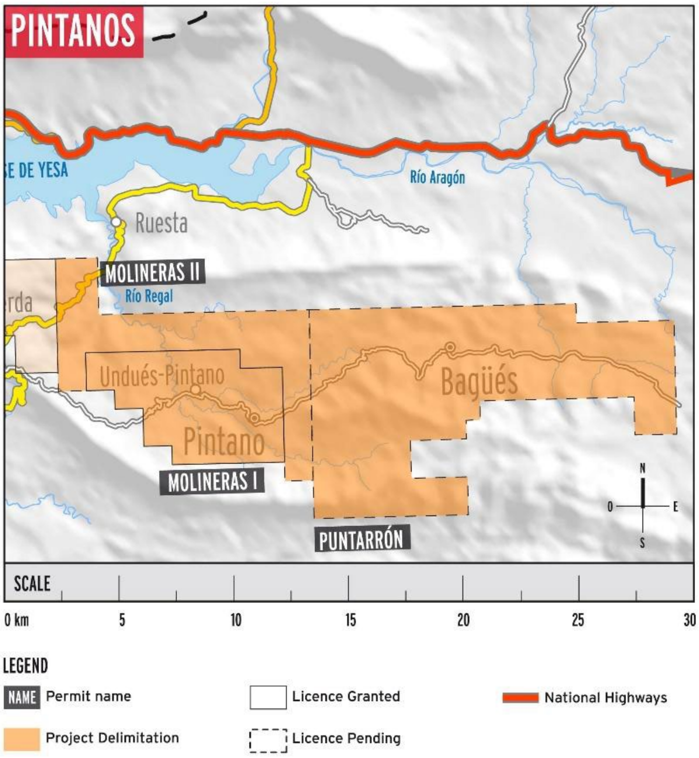
PINTANOS

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 whereas it remains waiting on the decision of the authorities regarding the drilling permit at Molineras 2 and Puntarrón, whose application process was re-initiated in 2019.

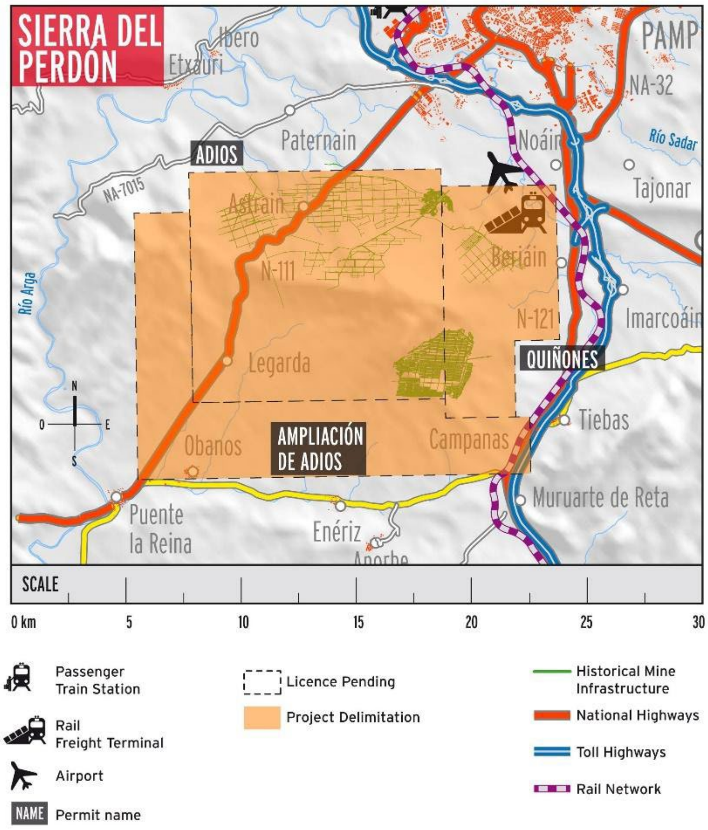
Notwithstanding this, the Company recorded an impairment of $5,612,181 in its financial statements for the half year ended 30 June 2020 in relation to the deferred exploration costs of this project to reflect the uncertainty that the expenses previously deferred in this tenement were to be recovered in full from successful development or by sale.

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



SIERRA DEL PERDÓN

Sierra del Perdón tenement area ("SdP") is located southeast of Pamplona and compresses three permits, Quiñones, Adiós and Ampliación de Adiós with an approximate area of 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. The Company believes that there is potential for potash exploitation in new, unmined areas in the SdP 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.

Similarly, in the fourth quarter of 2020, the Company was advised that the second three-year extension application for the Ampliación de Adiós permit had been 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.

Notwithstanding this, the Company recorded an impairment of $13,109,629 in its financial statements for the half year ended 30 June 2020 in relation to the deferred exploration costs of this project. This does not reflect the Group's intention to continue developing the Sierra del Perdón Project nor its confidence in a positive solution for the extension application.

CORPORATE

Directors

On 25 March 2022, Mr Paul Harris was appointed as Independent Non-executive Director of Highfield Resources Limited and Chairman of the Board with effect from the same day.

GEOALCALI FOUNDATION

The Geoalcali Foundation is a not-for-profit Spanish foundation, funded exclusively by Geoalcali. It was established to support projects in the communities in which Geoalcali will operate its mines. Since its establishment in September 2014 the Foundation has been involved in over 170 different community projects with townhalls, 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

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

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 7 and forms part of this Directors' report for the half year ended 30 June 2022.

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.

Paul Harris
Chairman

9 September 2022

Auditor's Independence Declaration

As lead auditor for the review of Highfield Resources Limited for the half-year ended 30 June 2022, 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.

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
9 September 2022

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 30 June 2022

	Note	30 June 2022	30 June 2021
Continuing operations			
Interest received/(paid)		453	(30,338)
Loss on foreign exchange		(87,748)	(249,874)
Listing and share registry expenses		(40,179)	(40,019)
Professional and consultants' fees	9	(881,943)	(253,133)
Director and employee costs		(1,065,887)	(1,141,557)
Share-based payments expense	8	(369,571)	(279,533)
Travel and accommodation		(95,527)	(1,316)
Foundation donations		(12,175)	(13,852)
Depreciation		(9,331)	(16,631)
Other Expenses	10	(718,766)	(519,774)
Loss before income tax		**(3,280,674)**	**(2,546,027)**
Net loss for the period		**(3,280,674)**	**(2,546,027)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(2,554,132)	(413,380)
Other comprehensive income for the period net of tax		**(2,554,132)**	**(413,380)**
Total comprehensive loss for the period		**(5,834,806)**	**(2,959,407)**
Loss per share			
Basic and diluted loss per share (cents)		(0.90)	(0.77)

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 2022

	Note	30 June 2022	31 December 2021
Current Assets			
Cash and cash equivalents		12,665,816	22,241,425
Other receivables	3	714,025	256,384
Total Current Assets		13,379,841	22,497,809
Non-Current Assets			
Other receivables	3	1,523,816	553,700
Property, plant and equipment		49,697	60,499
Deferred exploration and evaluation expenditure	4	121,876,783	118,384,403
Total Non-Current Assets		123,450,296	118,998,602
Total Assets		136,830,137	141,496,411
Current Liabilities			
Trade and other payables	5	3,754,642	2,955,681
Total Current Liabilities		3,754,642	2,955,681
Total Liabilities		3,754,642	2,955,681
Net Assets		**133,075,495**	**138,540,730**
Equity			
Issued capital	6	190,014,905	190,014,905
Reserves	7	26,202,010	28,386,571
Accumulated losses		(83,141,420)	(79,860,746)
Total Equity		**133,075,495**	**138,540,730**

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 2022

	Issued capital	Accumulated losses	Share-based payments reserve	Foreign exchange translation reserve	Option premium reserve	Total
Balance at 1 January 2021	**172,653,405**	**(73,161,167)**	**25,221,088**	**4,142,273**	**1,000**	**128,856,599**
Total comprehensive loss for the period						
Loss for the period	-	(2,546,027)	-	-	-	(2,546,027)
Other comprehensive loss – foreign currency translation	-	-	-	(413,380)	-	(413,380)
Total comprehensive loss 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**
Balance at 1 January 2022	**190,014,905**	**(79,860,746)**	**25,917,403**	**2,468,168**	**1,000**	**138,540,730**
Total comprehensive income for the period						
Loss for the period	-	(3,280,674)	-	-	-	(3,280,674)
Other comprehensive loss – foreign currency translation	-	-	-	(2,554,132)	-	(2,554,132)
Total comprehensive income for the period	-	(3,280,674)	-	(2,554,132)	-	(5,834,806)
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
Share-based payment	-	-	369,571	-	-	369,571
Balance at 30 June 2022	**190,014,905**	**(83,141,420)**	**26,286,974**	**(85,964)**	**1,000**	**133,075,495**

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 2022

	30 June 2022	30 June 2021
Cash flows from operating activities		
Payments to suppliers and employees	(4,855,135)	(2,229,833)
Interest (paid)/received	453	(20,507)
Other receipts including GST/VAT received	824,856	602,771
Net cash used in operating activities	**(4,029,826)**	**(1,647,569)**
Cash flows from investing activities		
Purchase of plant and equipment	-	(2,226)
Payments for exploration and evaluation expenditure	(5,453,483)	(5,742,294)
Net cash used in investing activities	**(5,453,483)**	**(5,744,520)**
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	(9,483,309)	(7,392,089)
Cash and cash equivalents at the beginning of the period	22,241,425	20,202,057
Effect of exchange rate fluctuations on cash	(92,300)	(170,290)
Cash and cash equivalents at the end of the period	**12,665,816**	**12,639,678**

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 2022

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 2022 was authorised for issue in accordance with a resolution of the Directors on 8 September 2022. Highfield is a company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

These condensed consolidated financial statements for the half year reporting period ended 30 June 2022 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 2021 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) Going Concern

These condensed financial statements for the half year ended 30 June 2022 have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At the date of this report, the Group had cash and cash equivalents of $12,665,816 (31 December 2021: $22,241,425) and a net working capital surplus of $9,625,199 (31 December 2021: $19,542,128). Whilst the existing cash reserves are sufficient to cover the working capital requirements of the Group for the next 12 months, the Group has commenced the construction of its Muga potash mine and as such, additional funding will be necessary to carry out these planned activities. The directors are confident that the Group will be able to obtain the additional funding requirement to continue with the development of the Project as evidenced by the signing of a non-binding indicative term sheet in the second quarter 2022 for a €312.5 million senior secured project financing package with a number of leading banks in the mining sector and the subsequent signing of a non-binding indicative term sheet for €23.3 million for an equipment operating lease facility with Macquarie Group. Based on these facts the directors are confident that there are reasonable grounds to believe that the Group will be able to continue its planned activities and will be able to meet its obligations as and when they fall due.

(c) New and amended standards adopted by the Group

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

(d) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each 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 2022	31 December 2021
3. Other Receivables		
Current		
GST receivable	72,216	72,758
VAT receivable	633,741	159,806
Deposits	8,068	23,820
	714,025	**256,384**
Non-current		
Guarantees	1,523,816	553,700
	1,523,816	**553,700**

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	118,384,403	112,296,472
Exploration and evaluation expenditure incurred during the period	6,417,011	8,018,643
Net exchange differences on translation	(2,924,631)	(1,930,712)
Closing balance	**121,876,783**	**118,384,403**

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.
All

	30 June 2022	31 December 2021
5. Trade and Other Payables		
Trade payables	1,475,592	1,440,357
Other payables	30,960	27,152
Accruals	2,248,090	1,488,172
	3,754,642	**2,955,681**

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 2022	31 December 2021
6. Issued Capital		
(a) Issued and paid up capital		
Issued and fully paid	**190,014,905**	**190,014,905**

	30 June 2022 No.	30 June 2022 $
(b) Movements in ordinary shares on issue		
Half year ended 30 June 2022:		
Opening balance	364,429,887	190,014,905
Shares issued upon conversion of unlisted options	-	-
Transaction costs on share issue	-	-
Closing balance	**364,429,887**	**190,014,905**

	30 June 2022	31 December 2021
7. Reserves		
Share-based payment reserve[1]	26,286,974	25,917,403
Foreign currency translation reserve[2]	(85,964)	2,468,168
Option premium reserve[3]	1,000	1,000
	26,202,010	**28,386,571**

[1] The share-based payment reserve is used to record the value of equity benefits provided to Directors, executives and employees as part of their remuneration package 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 2022	Half year ended 30 June 2021
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 2022	Half year ended 30 June 2021
Options granted during the period	272,246	-
Options granted in prior periods	97,325	279,533
	369,571	**279,533**

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.

The table below summarises options granted during the half year ended 30 June 2022:

Grant Date	Expiry date	Exercise price	Granted during the half year	Exercised during the half year	Lapsed during the half year	Number at 30 June 2022	Exercisable at 30 June 2022
26/05/2022	30/06/2025	$1.07	1,000,000[1]	-	-	1,000,000	1,000,000
26/05/2022	31/12/2025	$0.94	736,440[2]	-	-	736,440	-
26/05/2022	31/12/2026	$0.94	736,439[3]	-	-	736,439	-
26/05/2022	31/12/2027	$0.94	736,439[4]	-	-	736,439	-
			3,209,318			**3,209,318**	**1,000,000**

[1] Options granted to Non-Executive Director Mr Paul Harris. There are no service vesting or performance vesting conditions in respect of these options.

[2] Options granted to the Chief Executive Officer and Managing Director Mr Ignacio Salazar. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2022.

[3] Options granted to the Chief Executive Officer and Managing Director Mr Ignacio Salazar. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2023.

[4] Options granted to the Chief Executive Officer and Managing Director Mr Ignacio Salazar. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2024.

The expense recognised in respect of the above options granted during the half year was $272,246. The expense recognised during the half year on options granted in prior periods was $97,325.

The model inputs for options granted during the half year ended 30 June 2022 included:
(a) options were granted for no consideration;
(b) expected lives of the options range from 3.61 to 5.61 years;
(c) share price at grant date of $0.90;
(d) expected volatility of 62%;
(e) expected dividend yield of Nil; and
(f) a risk free interest rate of 2.89%.

	Half year ended 30 June 2022	Half year ended 30 June 2021
9. Professional and consultants' fees		
Corporate Advisory fees	224,547	52,047
Legal fees	24,529	11,691
Due Diligence fees	579,611	156,794
Other	53,256	32,601
	881,943	**253,133**
10. Other expenses		
Advertising and Promotion	38,437	13,115
Computer and Software Expenses	70,005	29,321
Subscriptions and Memberships	33,242	28,652
Investor Relations	44,937	34,930
Insurances	380,401	317,579
Rents	100,081	91,559
Other administration expenses	51,664	4,618
	718,766	**519,774**

11. Capital Expenditure Commitments

At 30 June 2022, 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 2022 amounted to approximately $99.2m. Of this amount approximately $83.4m will only become commitments once Notices to Proceed are issued to equipment suppliers, which will only occur once enough financing has been achieved. In the meantime, the contracts are able to be terminated by the Company at any point in time. The amount payable following termination would be approximately $2.1m.

12. Dividends

No dividend was paid or declared by the Company in the half year ended 30 June 2022 or in the period since the end of the half year financial period and up to the date of this report.

13. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 30 June 2022 (31 December 2021: Nil).

14. Significant Events after the Reporting Period Events

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

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 2022 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.

Paul Harris
Chairman

9 September 2022

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 2022, 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 2022 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.

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 2022 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

Julian McCarthy
Partner

Adelaide
9 September 2022