Annual Report
31 December
2022

Highfield Resources

highfieldresources.com.au

HIGHFIELD RESOURCES LIMITED
ABN 51 153 918 257

Contents

Page

Corporate Directory

Directors

Mr. Paul Harris
Independent Non-Executive Chairman

Mr. Ignacio Salazar
CEO and Managing Director

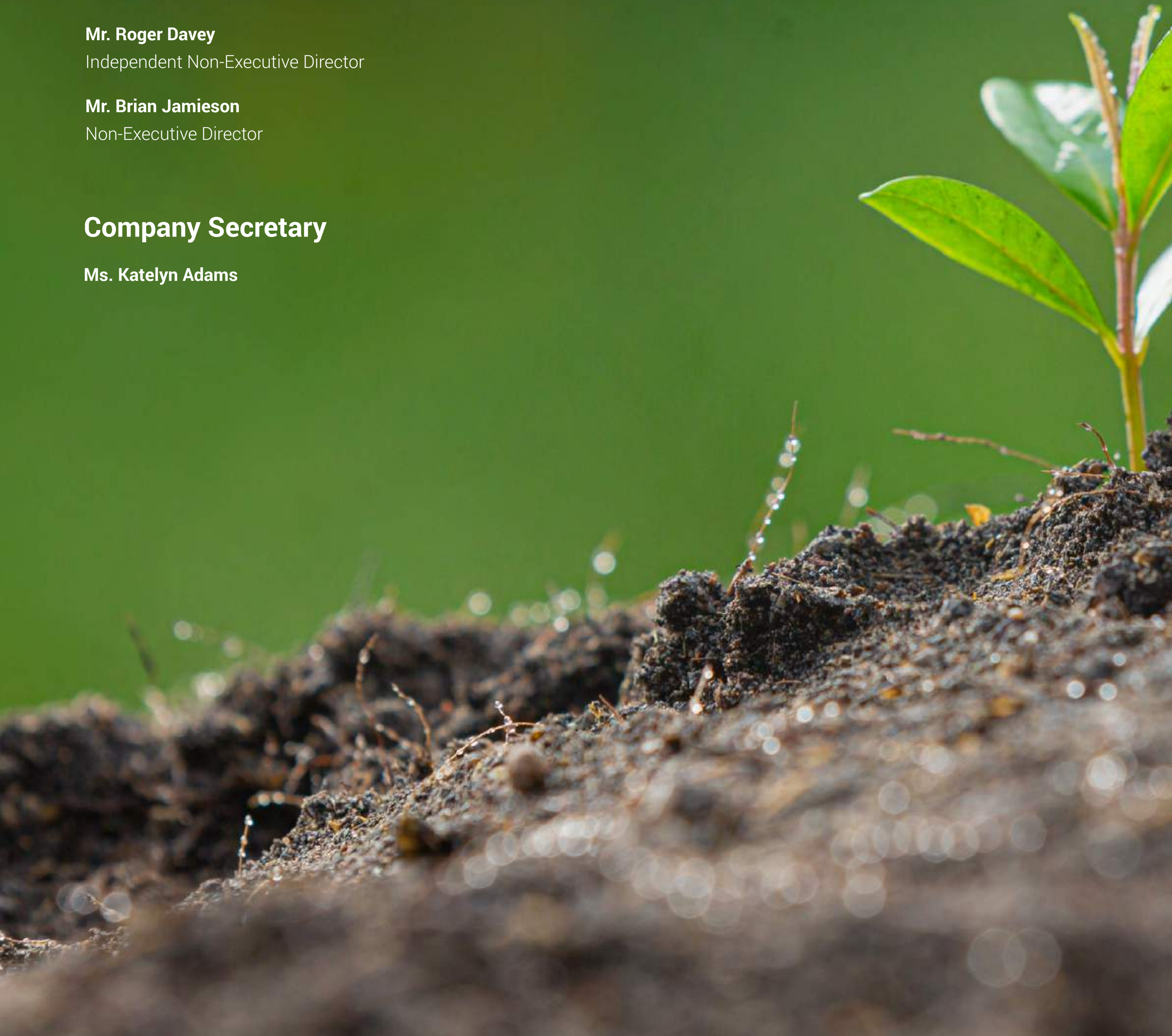
Ms. Pauline Carr
Independent Non-Executive Director

Mr. Roger Davey
Independent Non-Executive Director

Mr. Brian Jamieson
Non-Executive Director

Company Secretary

Ms. Katelyn Adams



Registered Office & Principal Place of Business

169 Fullarton Road
DULWICH, SA 5065

Telephone +61 8 8133 5000

Facsimile +61 8 8431 3502

Website highfieldresources.com.au

Share Registry

Advanced Share Registry Pty Ltd
110 Stirling Highway
NEDLANDS, WA 6009

Telephone +61 8 9389 8033

Facsimile +61 8 9389 7871

Auditor

Pricewaterhouse Coopers
Level 11/70 Franklin Street
ADELAIDE, SA 5000

Telephone +61 8 8218 7000

Facsimile +61 8 8218 7999

Stock Exchange

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)

ASX Code HFR

Chairman’s Letter

Dear Shareholders,

This is the first Chairman’s letter I have written for Highfield Resources’ Annual Report, having had the fortune to be appointed to the Board and as Chair just over one year ago (25 March 2022). It provides a good opportunity to provide an overview of some of the significant progress made by our Company over the last 12 months toward the licensing, financing, and construction of our flagship 100% owned Muga mine – the first new potash mine to be built in the European Union and western Europe for many years.

This progress included receiving key licenses from local authorities as well as making substantial strides towards fully financing the project. In addition to focussing on project approvals and financing, the Highfield team continued to remain very proactive on ESG matters. The Company made significant progress over the year and was recognised internationally for its environmental work and sustainability activities. Under our mine plan we will backfill all residue underground leaving no residue on surface post mining. We also remain very focused on our communities. One example this year was our successful rebuild and restoration of the foundations of the municipal cemetery in the historic village of Javier. We continue to work closely with all the town halls of the region, assisting them with their local priorities. Once operational the Project is expected to provide employment and business opportunities for locals and will be a key contributor in stemming one of their key concerns – the depopulation of the region’s rural villages.

Despite weak and volatile capital markets in 2022 and more uncertainty now in 2023, the Russian invasion of Ukraine created a strong tailwind for the potash sector and increased the strategic value in potash assets with security of supply located in politically stable jurisdictions. This geopolitical backdrop has been particularly acute in Europe given that close to 40% of Muriate of Potash had been produced from Belarus and Russia prior to the start of 2022.

This dramatic shift in regional supply lines has been very much in our favour and has accompanied a groundswell of support for the Project from a broad spectrum of stakeholders, including regional and national governments in Spain, financing groups, and other key partners.

We feel privileged to be in the position to be able to bring Europe’s next potash mine online and in turn alleviate a significant pain point for the European and African agricultural sectors. Delivering on this presents a tremendous opportunity and I would like to again thank our previous Chairman, Richard Crookes, for leaving Highfield exceptionally well-positioned to be able to capitalise on this opportunity.

I would like to also take the opportunity to thank my fellow Board members, the management team, and our dedicated employees for all their efforts over the year, and for welcoming me in the role. I would very much like to thank all our shareholders for their loyalty and continued support over this past challenging year. We are now at the junction of a very exciting stage in Highfield’s development, and I look forward to Highfield continuing its positive trajectory towards becoming a successful and sustainable long-life producer of potash.

"The Company made significant progress over the year and was recognised internationally for its environmental work and sustainability activities."

Paul Harris
Independent Non-Executive Chairman

30 March 2023

Chief Executive Officer’s Letter

Dear Shareholders,

These are both demanding and very exciting times at Highfield. We started building our Muga mine last year advancing all the preparatory work around the minegate. That commenced quickly after the grant of the Undués construction licence. The work that we have undertaken on site will facilitate the timely construction of the decline ramps in 2023.

We also received the electricity line construction licence last year, and just recently the pending licence also from Sangüesa for the processing plant construction. I do not think I am exaggerating by saying that we all feel this licence closes a long chapter for Highfield. Permitting processes and requirements are not becoming any easier or less demanding in Europe, globally or in Spain. I want to recognize and give a big thank you to all stakeholders locally who demonstrated exceptional and unwavering support for the Muga project. Suppliers, government, local administrations, neighbours, trade unions, politicians from all sides, professional organizations, former authorities and especially our staff (who have been on furlough once again in 2023) have gone beyond normal course of action to show their support and help us to get this licence. Frustrating as it has been, we can modestly say that the leverage, support and access we are having today locally in Spain is unparalleled.

We have also put a lot of effort into the funding strategy. After a year and a half of extensive due diligence, we finally executed a €320 million debt facility with four leading European banks (ING, Société Generale, BNP Paribas, and Natixis) with attractive terms and conditions for Highfield. This reflects the merits of the robustness of the Muga project and the quality of our team.

After reorganizing the team in 2021, becoming leaner and stronger to tackle the permitting and financing needs, and as we move ahead, we are only expecting to keep growing in line with the needs of the Project while we transition through construction into operations. At the end of 2022, we restated the outstanding economics of Muga by updating the feasibility study numbers, including recent inflation pressures and due diligence from the banks. There is massive strategic and intrinsic value in the Muga Project, which is just waiting to be unlocked as we move through construction and operation. As we have hopefully demonstrated, we are extremely motivated by this perspective and are prepared to do what it takes to achieve it.

All my gratitude to the Board which has shown its constant support in this journey. We have a great team and a great asset. Together with the trust of our shareholders, we are determined to make Highfield´s vision to become a reality.

Ignacio Salazar

“Together with the trust of our shareholders, we are determined to make Highfield´s vision to become a reality.”

CEO and Managing Director

30 March 2023

Sustainability Report

CEO Letter

Dear Readers,

It is with great satisfaction that I report we have finished the preliminary works for the construction of the Muga Mine in Aragón with zero accidents and zero environmental incidents. We are now ready to continue the construction works in Navarra. In this construction phase, more than 1,000 jobs will be created, and hundreds of opportunities will be generated for suppliers. This is an exciting time for Muga, not only because it is a long-term project that will boost the economy in this region, but also because Europe has been exposed to a situation of total dependence on foreign raw materials evidencing that Muga will be a strategic producer of European potash when it comes on line. Stakeholders ranging from local communities to Spanish and European institutions, perceive the Muga project as an opportunity to address this geopolitical and economic situation, further augumenting the reasons to support an already strong project.

Muga is also a strategic project in the international landscape, particularly as a European producer which aims to be a zero residue mine which will operate an optimised process in both water and energy consumption. This is our eighth Sustainability Report and it highlights those key activities which are ensuring that sustainability is at the core of our business.

This year we will continue diligently building our relationship with the local communities. In June 2022 the Government of Navarra launched the Muga Community initiative which is a partnership between the Company, Governments, and local communities to boost the socioeconomic potential of our mining project in the region. This initiative is a pioneer in social innovation and demonstrates the high level of interest afforded to the Project from the surrounding communities. This initiative has received great support from the Government, which is acting as a coordinator whilst allocating funding for social projects that will help newcomers – which includes our future employees – settle in this significantly depopulated region.

2022 saw us advancing our financing strategy which included a due diligence process with a comprehensive focus on the ESG thematic. The success in achieving all the financing milestones which resulted in a €320.6 million Senior Secured Project Financing demonstrates that Muga is a solid and robust Project with a compelling value proposition.

The Ukraine war, now in its second year has raised the awareness of the strategic importance of raw materials and their security. Europe depends on Russia and Belarus for 60% of its potash. The European extractive industry plays a strategic role as a supplier and Europe is currently reviewing its legislation to enhance self-supply. Our potash is therefore expected to be highly sought after. As a project which is benefiting from positive long-term fundamentals as well as being in a safe region and close to premium markets, our potash is expected to be in strong demand. But more importantly, potash, as a fertiliser component, contributes positively to food security, an urgent priority matter raised by the UN in the Sustainable Agenda 2030.

We are at the right place and at the right time. Join me in this exciting journey of building not only the next European potash mine but one which supports modern and sustainable principles.

Highfield Resources CEO, Mr. Salazar, said: “In this time of heightened geopolitical instability around potash supply, especially in Europe, we have begun the construction of Muga Mine. Our project’s ESG credentials make it a mine at the forefront of sustainability with significant endorsement of stakeholders.”

Ignacio Salazar

CEO and Managing Director

30 March 2023

About this Report

This report highlights all ESG activities carried out during 2022 by Highfield Resources Limited (the "Company" or "Highfield") and its Spanish subsidiary Geoalcali SLU ("Geoalcali"), together "the Group".

This report has been prepared in accordance with the GRI Standards: Core option. GRI is an international independent organisation that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. Additionally, as a signatory member to the United Nations Global Compact, this report also sets out the information required by the Communication on Progress guidelines of Global Compact reporting initiative.

The Group is committed to adopting sustainable practices and is carrying out a number of actions to align its processes and policies to international guidelines as part of its strategy to build a resilient and robust project. The Group remains supportive of the Sustainable Development Goals (SDGs), which seek to encourage measures to build a sustainable world. We continue to work towards this vision by committing to implement a large project with integrated initiatives that contribute to those objectives, with special emphasis on our social and natural environment. At the same time, the report highlights our performance in other relevant areas included in what we have defined our Sustainability Framework: Our Business, Our Environment, Our People, and Our Community.

For further information visit:

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

ESG Focus

Ethical Leadership and Governance

The Board of Directors has responsibility for the oversight of the Company´s sustainability activities. The Group´s committees review policies and ethical compliance annually. The executive team is responsible for the ongoing monitoring and development of the Company's ESG strategy which incorporates safety, environmental stewardship, health and safety, climate change-related risks and opportunities as well as cybersecurity. ESG KPIs are shared and common to all team members.

In 2022, the Company´s Code of Business Ethics and Conduct was reviewed and updated. No substantial changes were required.

All the information with relation to Corporate Governance can be found in the Company's website: https://www.highfieldresources.com.au/corporate-governance/

Sustainability Roadmap

The Group´s vision is "To build a successful, sustainable, potash business with respect for stakeholders and the environment."

The vision of the Company is encompassed by its core values known as CREA which encompass Commitment, Respect, Excellence and Attitude which form the basis of the eight principles of our Sustainaibility Roadmap outlined below:

1. **Integrate an ethical management** that takes into account risk analysis to guarantee the best results for our stakeholders
2. **Adopt best practices in health and safety** with the aim of guaranteeing the protection of our employees and our communities
3. **Guarantee the best environmental results**, optimising energy use and the responsible management of resources
4. **Encourage the participation and communication of our communities** to ensure that their expectations and needs are met
5. **Uphold the principles of diversity** to ensure that equality is part of our corporate culture
6. **Look for continuous improvement** through measurement mechanisms with the aim of achieving excellence in all our activities
7. **Always act with integrity, honesty and equanimity** with all our stakeholders
8. **Adopt an approach that is consistent with our vision and corporate values** in our decision-making processes as the main driver to generate value and a sustainable outcome

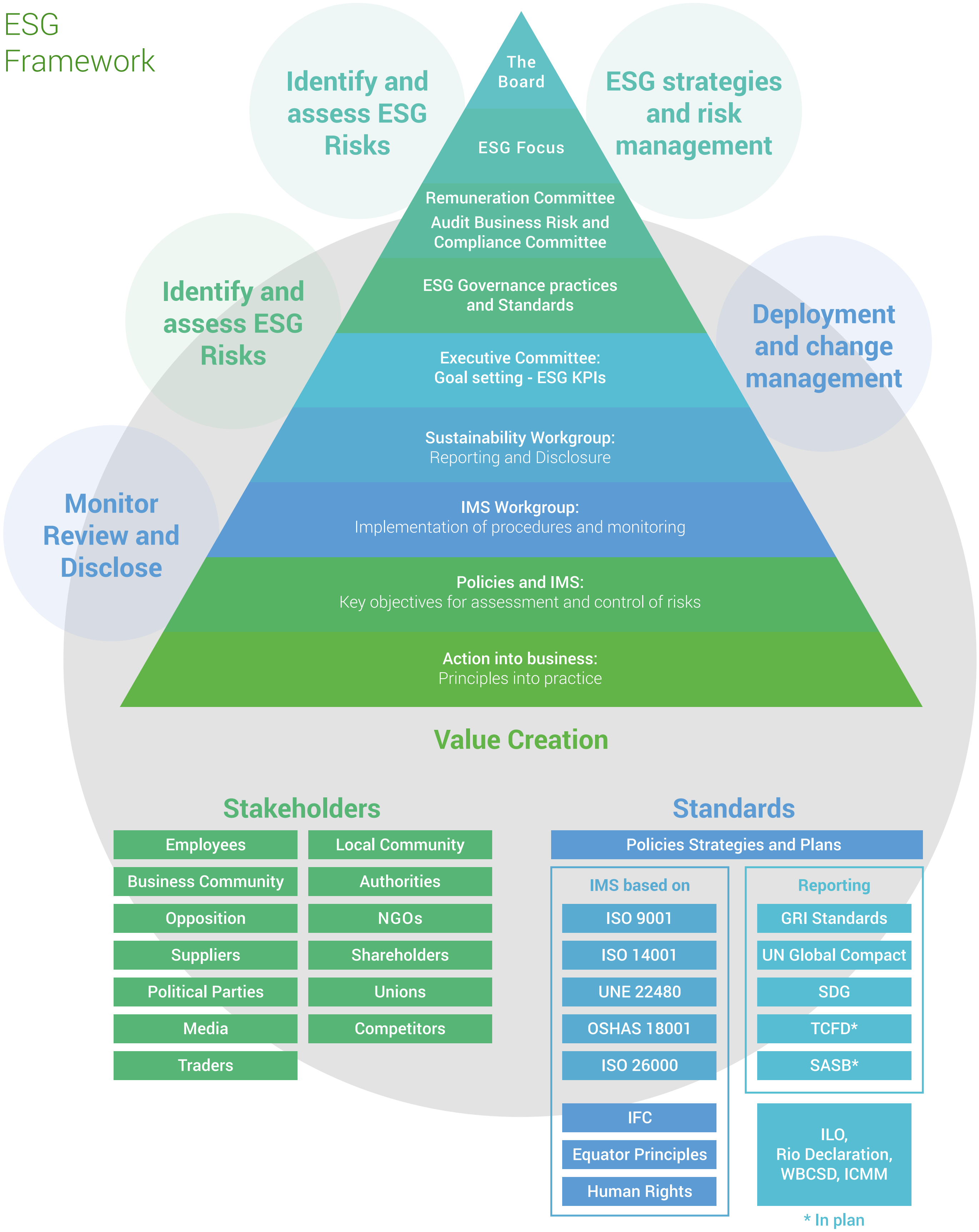
Compromiso Respeto Excelencia Actitud

CREA

Commitment Respect Excellence Attitude

This roadmap is what drives the Board and Committees, the Executive Team, ESG workgroups and staff members to implement standards that help the Company manage risk, plan, monitor, review and improve sustainable performance throughout the evolution of the Project.

ESG Framework



Understanding Our Impact

The Group has in place several methods to communicate with its stakeholders and will continue to do so throughout the life of the project. The methods that the Company uses in its continuous engagement are one-to-one meetings, information events, forums, direct and indirect communications as well as a grievance mechanism which allows community members to express a concern or complaint. The information received and the monitoring of the media coverage of our activities form the basis of our stakeholder plan and its ongoing refinement and will contribute to continuous improvement of our stakeholder engagement processes and activities.

Stakeholder Type	How	Frequency	Material Topics
Local Communities	Physical suggestion boxes located in the communities involved in the project	Monthly	4 7 10
	Online access through the "We want to listen to you" tab for suggestions, consultations and questions from citizens and residents of the area	Daily	1 4 6 7 8
	Muga Community (local liaison group), events and forums	Twice a year	1 4 5 11
	Monitoring Press	Daily	1 3 4 5 6 7 8
Town Councils	Official application process	Weekly	1 5
	Regular meetings	Monthly	1 4
	Physical suggestion boxes located in the communities involved in the project	Monthly	10
Suppliers	Directly related with relevant department	Daily	1 4 7
Government Organisations	Official application process and regulatory affairs	Weekly	1
Non-Governmental Organisations and Local Organisations	Online access through the "We want to listen to you" tab for suggestions, consultations and questions from citizens and residents of the area	Daily	1 4 7
	Informative events		5 6 8 10
	Monitoring press	Daily	1 5 8
Investors	Investor Relations Department	Weekly	1
Employees	HR Department	Daily	1 2 4 7

Material Topics Identified

With the input of our stakeholders and taking into consideration the feedback from our communication channels the Company has defined the following topics as material to our business.

Business Development

1 Receipt of Necessary Permits

3 Anti-Corruption Measures

4 Wealth Creation

7 Generation of Quality Employment

13 Project Feasibility

Environmental Topics

6 Water Management

8 Waste Management

9 Restoration of the Area

Safety Issues

2 Ensure Employee Health and Safety

5 Prioritise Health and Safety in the Community

Sustainable Approach

11 Community Involvement

10 Climate Change

12 Sustainable Development

Our Commitment to the Sustainable Development Agenda

Planning

We continue to analyse and incorporate international ESG standards to help us assess and measure our performance. Currently, the Company supports and seeks to actively contribute to the achievement of the Sustainability Development Goals ("SDGs"). Geoalcali continues to be a signatory member of the UN Global Compact.

No Poverty

Muga Mine will generate wealth for several decades at a time of great social transformations in labour matters, especially in times when economies have been hit by pandemic events. Muga will generate direct and indirect jobs in a highly depopulated region.

Zero Hunger

The worldwide shortage of arable land is a real problem, driven by rapid population growth and increasing demand for food. Our Project will contribute with potash for fertilsers, key for agriculture and food production for generations to come.

Gender Equality

The Group is conscious of the importance of fighting for fundamental rights, dignity and the value of the human person as well as the equal rights of women and men. It also takes work-life balance measures to help achieve equality.

Clean Water and Sanitation

At Muga, all of the water from the production process will be reused in the production process itself or eliminated by evaporation.

Affordable and Clean Energy

In relation to energy efficiency and minimising the impact of energy consumption, we are committed to prioritising the consumption of electricity from renewable sources.

Decent Work and Economic Growth

Muga will be one of the main industrial engines generating employment in the area and will provide an important socio-economic boost, creating quality jobs and opening up future opportunities for the population.

Reduced Inequalities

We are committed to initiatives that promote quality education and actions that have an impact on reducing social inequality. This is one of the cornerstones of our social work through our Foundation.

Sustainable Cities and Communities

We strive for greater sustainability and high performance mining by promoting innovation, research and investment in technology in both extraction and product development.

Responsible Consumption and Production

Muga's entire production process is based on sustainable and optimised criteria. In addition, Geoalcali promotes awareness campaigns on responsible consumption both externally and internally. For the Company, social awareness begins with the Company itself.

Climate Action

Environmental protection and the monitoring and management of the environmental impacts of our activities are fundamental to the Company, which strives to position itself as a sustainable producer, including environmental protection measures in all aspects of the life cycle of each Project.

Life on Land

From the outset, the Company has put in place the necessary preventive measures to protect habitats and biodiversity, carrying out several flora and fauna studies to choose the most suitable location.

Partnerships for the Goals

Throughout the life of the Project, we will strive to deliver on the key commitments we have made to all our stakeholders.

In addition, we will continue to seek partnerships to raise awareness and contribute to the SDGs.

Strategic Objective	Specific Goals	Progress	Material Topics	SDG Impact
To secure all necessary environmental, construction and operating permits	Approval of all construction and other permits required	The Company received the construction licence form Aragón. Sangüesa townhall licence is still pending.	1	
To build and to successfully operate the Muga Mine	Continue improving and refining the Project	The Company has completed the preliminary site works for the Muga Mine. In parallel, it finalised construction arrangements with engineering companies as well as the development of engineering with process equipment suppliers for incorporation into construction projects.	1 2 3 4 5 6 7 8 9 10 11 12 13	
To build, operate and maintain a high level of workplace health and safety	Building a strong health and safety culture	Specific H&S training Simulation of construction crisis to test and refine health and safety plans and protocols. Zero accidents.	2 5	
To conduct our business with regard to all environmental regulations and best practice	Strive for best environmental outcomes of Muga	Monitoring and preventative measures for construction phase in place. Quarterly reports based on our Environmental Surveillance Plan sent to government administrators. No environmental accidents or incidents.	6 8 9 10	
To work diligently with the various communities close to the mine to optimise our social performance and thereby secure and maintain support for our project	Increase dialogue and interaction with the host communities	Open and regular dialogue continued. Formalisation of local liaison group via the creation of Muga Community, a public-private partnership to boost the socioeconomic development of the region.	3 5 6 7 8 11 12	
To work with the various government departments and regulators in a transparent and engaging manner to secure their trust and enable them to supervise our activities appropriately	The Company will continue to work diligently with the Administration in all project phases	Increased communication with the government. Explicit support from several departments in the Government of Navarra in external channels.	3 5 6 7 8 10 11 12	
To secure all necessary funding for the first phase of the Muga Project and have plans and commitments in place for the implementation of the second phase	Continuing with the development of the financing strategy	Actively worked with Endeavour Financial which has included the coordination of the different areas of the Company in the due diligence process. Successfully reviewed and updated the Project economic model. The Company has also analysed alternative sources of financing.	2 3 5 6 8 9 13	
To become the employer of choice within our sector and environment	Uphold high ethical standards in the workforce	Active participation in employment fairs.	1 4 7 11	
To return value to our shareholders	Strong ESG focus to ensure long-term value creation	Comprehensive protocols and actions compiled to address a range of possible adverse situations faced by the Company. Rigorous monthly financial reporting for prudential and managerial purposes. Annual revision of policies and procedures. Updated Feasibility Study confirms strong economics of the project.	1 2 3 4 5 6 7 8 9 10 11 12 13	

Developing a Long-term Sustainable Project

Muga Mine ESG Highlights

Our Company

Highfield Resources is committed to an overall reduction of our environmental footprint by creating and implementing a stewardship system across its operations and communities.

Zero Residue Mine

Muga Mine is the only room and pillar potash mine in the world that targets zero residue on surface at the time of mine closure.

Environmental Surveillance Plan

All environmental factors will be closely monitored and controls put in place during the construction and operation of the mine.

Protecting Biodiversity

Protection programme in partnership with reputable NGO to monitor and preserve biodiversity in the area.

Muga's waste management strategy has been carefully designed to fulfil the **Circular Economy** objectives.

Optimised Energy Consumption

Measures implemented have reduced our energy consumption by ~ 15%.

Optimised Water Circuit

Reuse of salt water for the process plant.

Social Value is at the centre of our business. Muga Community, a pioneer CSR initiative.

Governance is the foundation of ethical behaviour and overall ESG strategy development.

Recognitions and Awards 2022

RSA Seal: Official Government of Aragón Corporate Responsibility initiative

This is our seventh consecutive year in implementing sustainable management in accordance with this programme. The renewal of this seal is recognition of the efforts made by the Company in promoting work life through the promotion of equality, giving priority to equal opportunities and the principle of non-discrimination as well as volunteering and the different actions developed from solidarity and respect for the environment.

WIM 100 nomination of our employee Susana Bieberach

The 2022 edition of the Global 100 Inspirational Women in Mining recognises Susana among nearly 1,000 nominees from around the world for her significant contribution to a more inclusive, safe and sustainable mining industry. This includes making positive change and impact, advocacy and a desire to empower others, perseverance in the face of adversity and the ability to find solutions to challenges.

This is an example of how the Group actively promotes diversity and strives to make the women in our teams visible, regardless of their role.

Susana Bieberach and international WIM100 females at WIM UK London presentation event.

The Company is continuously seeking partnerships and alliances with the aim of driving transformation of the mining industry into a more sustainable and ESG orientated business whilst being perceived as a strategic sector among society members.

Geoalcali at the R+D Agro Forum held in Ejea de los Caballeros (Aragón)

Geoalcali was one of the companies invited to participate in the R+D Agro Forum organised by Cadena SER Radio station in Aragón and in 26 May 2022 in the capital of the Cinco Villas region of Aragón, Ejea de los Caballeros. The forum debated the present and future of the primary sector such as the agricultural business, a key sector in Aragón and one which faces immediate challenges to improve crop yields and food efficiency. The opening ceremony of this event, which was attended by dozens of representatives of companies and professionals from the world of agriculture in Aragón, was led by the Aragonese Minister of Agriculture, Joaquín Olona, and the Mayoress of Ejea de los Caballeros, Teresa Ladrero.

The Company participated in a round table focused on the application of new technologies applied to the agri-food sector by companies. The Company had the opportunity to explain the strength of its project and that of its final product, potash, offers significant benefits to an agricultural communities such as Aragón and at a time of major geopolitical uncertainties arising from the war in Ukraine.

Rocío Gasca, Geoalcali´s market analyst assistant in Aragón´s agricultural forum.

Forums

Depopulation Forum

Sangüesa hosted a new edition of the Depopulated Spain national forum on 20 May 2022, organised by Cadena SER Radio. The forum analyses this phenomenon in the region with the aim of developing solutions and innovative initiatives to attract newcomers to depopulated regions, like Sangüesa.

Among the speakers were the President of Navarra, María Chivite, the Regional Minister of Territorial Cohesion of the regional government, Bernardo Ciriza, the Director General of Local Administration and Depopulation, Jesús Mari Rodríguez, and the Mayoress of Sangüesa, Lucía Echegoyen.

Geoalcali took part in a round table to explain the initiative “Muga Community”. This is a pioneering social project which, in collaboration with regional and local governments, aims to mobilise resources to make the most of the implementation of Muga Mine for the benefit of the local communities. To this end, a number of sectorial commissions will be set up to develop plans in specific areas such as housing, employment, infrastructures and socio-cultural resources.

As Manolo Rodríguez, President of the Navarre College of Sociology and Political Science, explained at the table, this is a “very innovative experience that can serve the Government as a best practice example and pilot experience for future projects”. He described it as “a very innovative experience”, alluding to the fact that it is “taking advantage of the synergy generated by a company that has a very important investment forecast and that has taken up this idea of creating a community, and that from the government’s point of view it has been considered of great interest”.

President Chivite, local leaders and Susana Bieberach participating in the national depopulation forum hosted in Sangüesa.

The job of your dreams and the Muga Mine Project

Geoalcali participated in an employment fair organised by the Navarra Chamber of Commerce under the title "The job of your dreams". The Company explained the job opportunities and the quality of employment offered by Muga project, especially for young people.

At this meeting, which is part of a programme funded by the PICE programme (a governmental initiative), young people were able to talk and hand in their CVs to the representatives of the participating companies.

Javier Olloqui, HR Director, at employment forum.

Geoalcali at the UPNA Employment and Entrepreneurship Meeting

Geoalcali was present at the 15th Employment and Entrepreneurship Meeting organised by the Public University of Navarra, an event created to connect organisations with university degree students who are starting or advancing in their professional careers.

Geoalcali team at employment fair at the Navarra´s public university.

Forums

Advancing towards gender equality

In October 2022 the Company was invited to be a guest speaker at the Business and Equality conference organised by the Association of Women Entrepreneurs and Executives of Navarra (AMEDNA).

Our Company was able to share best practices in terms of work-life balance in accordance to the Reconcilia methodology, a work-life balance seal by which AMEDNA recognises the work carried out by companies in this area.

Estíbaliz García, HR assistant, speaking about work-life balance meassures in AMEDNA´s forum.

Geoalcali at Navarra Jobs, Navarra's employment fair

In June 2022 the Company participated in the new edition of Navarra Jobs, the employment fair of the region which brings together companies and entities with recruitment opportunities, at the Baluarte congress space.

Under the slogan *The search for employment in the new normality*, dozens of people visited the Geoalcali stand and received information about the employment opportunities offered by the Muga Mine project.

Geoalcali team at employment fair in Baluarte.

At the Comversaciones Forum: Challenges of Sustainability

The Company participated as a guest speaker in a round table within the "Comversaciones" forum organised by Brandok, the communications and marketing agency of Diario de Navarra, which was celebrating its second anniversary. Around 80 marketing and communication professionals from Navarra attended the event, which addressed the challenges of communication, sustainability and the digital transformation of companies.

Susana Bieberach speaking about the importance of communicating sustainaibility in Comversaciones Forum.

Conference on the war in Ukraine and the commercial activity of companies

The CEO of Geoalcali, Ignacio Salazar, was one of the speakers invited to participate in the conference organised by the Chamber of Commerce Navarra to discuss the impact of the war in Ukraine on the commercial activity of Navarran companies.

Mr. Salazar addressed, among other issues, questions relating to the supply of raw materials and the urgent need to ensure greater autonomy in the EU for minerals such as potash.

Ignacio Salazar speaks about the geostrategic relevance of potash at the Chamber of Commerce of Navarra conference.

Forums

Geoalcali and young talent

Coinciding with the celebration of Enterprise Week, the European Forum Business School invited Geoalcali to a round table on retaining young talent and the relevance of CSR in the Human Resources area. The Director of Human Resources, Javier Olloqui, and the Company's Director of Public Affairs, Susana Bieberach, took part in a discussion about the attraction of employment by companies and spoke about the job opportunities offered by the Muga Project and its commitment to sustainable practices.

Geoalcali members speak about the importance of talent retention and CSR practices.

Agreement with the Construction Labor Foundation of Aragón and Navarra

Geoalcali and the Construction Labour Foundation of Aragón and Navarra (FLC) signed a collaboration agreement with the aim of generating synergies in the areas of recruitment, training, employment, and promotion of occupational risk prevention for the workers who will be involved in the extraction of potash at Muga.

The aim of this collaboration agreement is to contribute towards the qualifications and professionalism of the workforce, to promote health and safety and to focus on the employability of the groups present in the area close to the project facilities.

As a result of the agreement, the FLC will be able to assist with the management of the job application pool for Muga, as well as in the work of raising awareness, care and preventive training and technical qualification of the professionals involved in this project.

Both parties have also undertaken to jointly study the actions required for the development of professional qualification projects for the employed and unemployed by providing personalised guidance and employability itineraries. The agreement will also enable the students of the FLC, especially those from its territorial councils in Aragón and Navarra, to carry out work experience in the company that will contribute to their qualification.

The FLC has two training centres, located in Aragón and Navarra. Both are Integrated Concerted Vocational Training Centres, with a complete range of degree cycles; some of them are taught under a dual training system.

FLC members of Aragón and Navarra with Company team members.

Partnerships

The Council of Mines visits our facilities in Sangüesa

A representation of the National Council of Mining Engineers visited Navarra to express their support to the mining industry in this province. The Government invited the Council to learn more about MINERÉTICA, a mining dissemination initiative in which the Department of Mines in Navarra and the main associations and companies in the mining sector in Navarra, including Geoalcali, are collaborating with the aim to promote the value of mining and minerals to society. The Council travelled to our facilities in Sangüesa, where they were able to visit the permanent exhibition on minerals located in the Company's warehouse which forms part of MINERÉTICA.

Government of Navarra Mine department manager explains Minerética initaitive to the National Council of Mining Engineers.

Successful conference on the importance of minerals

ANEFA, the National Association of Aggregates Manufacturers, organised a community open day on the importance of minerals in our lives. The event, which took place in the Riojan town of Leza del Río Leza, coincided with the celebration of the European Minerals Day and was a great success in terms of participation. Geoalcali contributed to the event by transferring didactic material on mining and minerals.

Samples of the Potash Briefcase didactic materials.

Memberships

The Company continues to be a member of the following organisations:

The business association of Cinco Villas

The logistics cluster of Aragón

The executive managers association of Aragón

The Spanish mining confederation

An association of mining businessmen of Aragón

An association of mining companies of Navarra

The business association of Australia in Spain

International Fertilizer Association

An association of Navarra companies

A Spanish mining association

A Navarra mining association

A non-profit organisation created by the Official College of Industrial Engineers of Navarra and the Association of Industrial Engineers of Navarra.

The Company continued seeking alliances with key associations with the aim of driving transformation in our sector in an ethical, socially responsible and environmentally sustainable way.

The Geoalcali Foundation is a member of the Association of Foundations of Navarra. This association is comprised of the main non-profit associations in Navarra, both public and private.

Muga Community

Unflagging commitment with our community

As presented in the 2021 Sustainability Report, the Social Baseline Study of the Muga Mine was carried out with the aim of forecasting the social impacts of the Muga Mine project in the region of Sangüesa (Navarra) and the Cinco Villas (Aragón). In order to manage these social impacts, the Company partnered with the Public Administration to create the "Muga Community" initiative.

The Government of Navarra has endorsed this initiative and has publicly referred to Muga Community as an opportunity to concretely implement a series of public policies that help the development of the area and can serve as a stimulus and as "good practice" for other regions.

This initiative aims to work collaboratively at multiple levels of governance (Government, local entities, business and society), with a global perspective that places individual resources in the achievement of shared goals.

The mining industry must face the new challenges of the future, among which sustainable development plays a fundamental role. This is understood as that which satisfies the needs of the present without compromising the needs of future generations and ethical management, based on management by values that are oriented to good behavior and good practices of the organisation. Companies must assume responsibilities in local and national development and direct their activities towards the satisfaction of society in general.

Under this approach, the International Council on Mining and Metals (ICMM) has promoted the sustainable development of mining as a source of competitive advantage. Since 2003, it has established 12 basic principles of good practice, among which are ethical management, sustainable development, and the contribution to the social and economic development of the communities in which mines operate.

Mr Jesús María Rodríguez (2nd from the left on the top row), Managing Director of the department of Local Administration and Depopulation of the Government of Navarra; Ms Miriam Martón (1st from the left on the top row), Managing Director of the Navarra Employment Service; Mr Tomás Rodríguez (5th from the left on the top row), Director General of Vocational Training; Mr Luis Campos (2nd from the right on the top row), Director General of the Social Reality Observatory; Mr Eneko Larrarte (4th from the left on the top row), Director General of Housing; local communities Mayors and the Highfield team.

Logically, all the principles influence the territorial context of their implementation, but specifically in the Muga Community, it is Principle 9 (social performance) that has the most direct implication. Specifically the performance expectations include the following:

1

Implement inclusive approaches with local communities to identify their development priorities and support activities that contribute to their enjoyment of lasting socio-economic well-being, in collaboration with governments, civil society and development agencies, as appropriate.

2

Enable local companies access to procurement and contracting opportunities throughout the entire project life cycle, both directly and by encouraging larger contractors and suppliers, and by supporting initiatives aimed at improving the economic opportunities for local communities.

3

Encourage stakeholder participation based on an analysis of the local context and provide local stakeholders with access to effective mechanisms to resolve complaints related to the company and its activities.

4

Collaborate with the government, when appropriate, to support the improvement of environmental and social practices of artisanal and small-scale mining at the local level.

There are three key players in the proposal implementation activities, beyond the citizenry as a collective target of policies: the autonomous governments, the local entities and the Geoalcali company itself. Combining the interests, expectations, and potential of each of these parties is a clear path to success.

At the same time, the social management of mining operations is committed to the SDGs, and specifically to the following:

With regard to local economic development, work is being done to strengthen the local and regional economy as follows:

- Support new opportunities and productive initiatives that allow the diversification of economic activities.
- Generate local employment in the areas of influence of the mining project.
- Support rural production processes and mining formalisation in areas where it is viable.
- Stimulation of the local economy through the provision of services and supplies to the Company and its contractors.

Navarra and Aragón local community leaders visit the preliminary works in Undués de Lerda.

As mentioned before, the Muga Community is born from the union of local entities and the Company, and it has the commitment of the Government of Navarra in the development of the different proposals that can be addressed from public policies.

The general objective of the Muga Community is to promote local development, guaranteeing population settlement and the emergence of new opportunities for the area and its inhabitants from a collective and supportive vision.

The operating model of the Muga Community is based on concepts such as solidarity, mutual aid, innovation, inclusiveness, gender perspective, sustainability, and social cohesion. In order to achieve this, a participatory operating model will be established on the basis of efficiency and effectiveness and from a collective and participatory commitment.

The decision-making structure will see decisions being discussed, devised, and built on a scale. To this end a Coordinating Committee of the Muga Community (CCMC) has been set up to promote the different projects and refer them to specific work committees. The aim of the CCMC is to assess the proposals and identify and prioritize thoseactions with the greatest direct impact on the population and the territory. The Department of Local Administration and Depopulation, which is a permanent member of the CCMC, is positioned as the direct interlocutor with the Government of Navarra. A CCMC has been established in both Navarra and Aragón.

In June 2022, the Muga Community was publicly presented to the village of Javier. At that meeting a permanent coordinating commission and the governance of the institution was established to manage its activities. The members of the CCMC of Navarra are the following municipalities: Sangüesa, the Commonwealth of Sangüesa, The Rural Development Agency, Javier and Liédena. In addition, the representatives of Geoalcali, Geoalcali Foundation, and the previously mentioned, Department of Local Administration and Depopulation of the Government of Navarra are also members of the CCMC.

Equally, in September 2022 at the village of Undués de Lerda, the public presentation of Muga Community Aragón took place. Three weeks later the Muga Community Coordinating Committee was conceived at the Aragonese village of Sos del Rey Católico. In that meeting the following members committed to take part: the municipalities of Undués de Lerda, Urriés, Sos del Rey Católico and Longás, as well as representatives of Geoalcali S.L.U. and Geoalcali Foundation. The addition of the Commonwealth of Altas Cinco Villas is still pending.

From these first meetings and based on the analysis that is being carried out in the Muga's communities of interest (Muga COI) and linked to the Development Plan, a calendar of sectoral meetings will be established that will seek to address the different challenges that arise. In order to tackle the main specific working commissions are going to be created. For example, a specific Housing Commission was convened, as this is one of the largest deficits and requires urgent decision-making. More of these types of special purpose "working groups" will be created to deal with the balance of any other issues as they are identified.

The intention is to keep continue on this path during 2023 and to start on the preparation of specific measures aimed at improving the living conditions of the local population. The next steps are the establishment of a roadmap agreed by all the participants in the Muga Community. This road map will endeavor to include all the concerns of the local stakeholders.

Company´s exhibit area in the town of Javier.

Social Impact Monitoring

In order to manage the social impacts of the Muga Mine project, a series of monitoring protocol and controls have been implemented in the Project's surrounding area.

Monitoring and Mitigation Measures

The Operational Plan Management of Social Impacts (POGIS) is designed to manage those actions targeted to mitigate or solve social impacts emanating from the Muga Mine, during its construction works and operating phases. The construction of the Muga Mine will produce a series of direct impacts on the social environment and local infrastructures and these will be monitored. The impacts and measures are listed below:

Impact on the irrigation infrastructures of surrounding farms

The Muga Mine's entrance is located in an area of agricultural activities , some of which are irrigated with water from the Bardenas Canal. With the passage of machinery and the movement of earth, the physical integrity of the ditches and the canal itself may be compromised to the point that they may suffer structural damage. For this reason, the following actions will be carried out:

1. Replacement of the main ditch: the main ditch will be diverted over the south dike, ensuring the supply of irrigation water to the irrigators in the area close to the mine entrance.
2. Repair of the Bardenas Canal: in the event that the canal suffers structural damage, a budget allowance has been included for the repairs that are necessary in the section as it passes through the Muga Mine in order to ensure its good working order and avoid possible damages to irrigators.

Visual impact of the Muga Mine facilities in the landscape environment

Both the mine entrance facilities and the mineral processing plant are industrial structures that contrast with the agricultural landscape. In order to minimize the visual impact on the local population and the pilgrims who transit the Camino de Santiago visual screens with autochthonous vegetation will be erected during the Muga mine construction phase. This measure is carefully designed and pays special attention to preserving the Camino de Santiago and the surrounding farms.

Impact on air and water quality

During the construction of Muga, and especially during the earthmoving phase, dust will be generated that can accumulate in clouds which will travel with the wind and potentially impact urban centers. In addition to this, air quality in the areas immediately close to the work could be impacted, according to the Environmental Surveillance Plan for Muga (PVA), as a result of:

- The diffusion of particle emissions due to the removal of vegetation, earth movements and urbanisation processes for the preparation of the area where the mining infrastructures and associated services will be built.
- Emissions of combustion gases from machinery, transport vehicles and electricity generators.

Geoalcali will monitor the atmospheric quality of urban centers and the environment and will also put in place emission controls (at the sources) as well as inmission. The main measures provided for in the PVA to minimise emissions into the atmosphere are:

1. Limit the speed of vehicles in the mining area to 40 km/h.
2. Turn off vehicle engines when not in operation.
3. Periodic irrigation of roads.
4. Periodic cleaning of roads and truck wheels.
5. Cover the trucks that transport material susceptible to producing dust with tarpaulins.
6. Preventive maintenance of machinery.
7. Requirement for approvals or inspections of machines: CE marking and ITV certificates in force, depending on the case.

Of the aforementioned measures, POGIS endorses measures 1 and 3.

Impact on rural roads and access roads

The Muga Mine will be located between fields in the municipalities of Sangüesa and Undués de Lerda. To access the area of the works during the construction phase it will be necessary to travel on rural agricultural roads and on a section of the Camino de Santiago. To avoid occupying these roads, one of the measures that will be carried out as a priority at the start of the works will be the adaptation of the connection roads with the NA-540 road and, in turn, a section of this road that connects with the A-21 motorway.

Grievance System

Community Complaint Boxes

In April 2022, the Company installed additional "complaint boxes" in the town halls of the main towns in the area of influence of the Muga project. The new boxes were set up to provide a fixed communication location / channel with the communities around the Project. The objective of this initiative was that people belonging to the communities could express their complaints and claims, proposals and suggestions, in addition to showing their support for the Muga project by placing notes (using a template) in the boxes.

Seven boxes were placed in the following locations:

Navarra:

- Sangüesa (House of Culture)
- Javier
- Liédena (Sociocultural Center)
- Yesa

Aragón:

- Undués de Lerda
- Sos del Rey Católico
- Urriés

As well as in the Geoalcali community service offices located in Sangüesa at:

- Rocaforte Industrial Estate, Warehouse A7.

No communication has been received during 2022. The Company's public affairs team will review the continued use of this means of receiving information from the public.

Community Complaint Web-Box

At the same time the physical complaint boxes were installed, a digital version was added. On the Geoalcali website, this complaints web-box is located in the "Muga Community" section identified as "Community complaints box". This web-box offers a stable communication channel with the communities around the Muga project. Through the messages received through this web-box, people belonging to the communities can express any complaints and claims they may have about the Muga project. All information received by this means is carefully processed and analyzed by the Public Affairs team. Participation can be anonymous.

Sustainability Development Form

In response to the proposals derived from the Social Baseline Study of the Government of Navarra, the Company considered it useful to cross-check the information by launching a Sustainability Development Form to eleven community leaders to understand their strategic view and priorities to boost the socioeconomic impact of Muga.

The data collected by these eleven questionnaires included the following:

The questionnaires collected a query about the critical areas identified and the order of priority when addressing the solutions. In this sense, the responses received so far indicate that the order of priorities varies depending on each locality consulted, but the population area and the service area stand out as the critical areas where solutions should be addressed first. In the case of the population, initiatives to influence the demographic rebalancing in terms of rejuvenating the population and improving their replacement rates will be undertaken. Regarding services, the new services needed would need to be defined with an allowance for a possible increase in the demand for general services. Each of these two critical areas have been chosen as the number one priority by a third (33%) of the towns that have completed the questionnaire so far. In second place in order of priority is labor preparation – specifically maximising the commitment to local employability and local suppliers in all phases of the project, both in construction and in operations. This critical area has been chosen as the second in order of priority to be addressed by 66.7% of the municipal representatives. For the rest of the priority order, the areas are widely distributed, and there is currently no clear percentage differentiation between them.

Saint Barbara Feast

The Geoalcali Foundation took part in the celebration of Saint Barbara, the patron saint of mining, organised by the Brotherhood of Miners from the former mine Potasas de Navarra. This association is more than 50 years old and the annual celebration highlights the value of their profession.

The President of the St. Barbara Brotherhood and Company´s Geologist Lucía Martín were invited to a tv programme to commemorate St. Barbara.

School material for the Babyteca in Sos del Rey Católico

Once again this year, the Geoalcali Foundation has contributed to the financing of school materials for the Babyteca in Sos del Rey Católico (Aragón), a school that takes in young children from 0 to 3 years of age every day, thus helping rural females integrate themselves into the workforce. On this occasion, the Foundation has helped to purchase school and relaxation fabric to complete a multi-sensory classroom in which to carry out specific activities that increase the children's state of relaxation and help them cope with the stress of learning and interpersonal relationships.

Babyteca in Sos del Rey Católico.

Local and Quality Lunches at the Sierra de Leyre Secondary School in Sangüesa

As part of the work carried out by the Special Curriculum Units (UCE) of the Sierra de Leyre Secondary School in Sangüesa (Navarra), a workshop was set up to prepare “healthy and quality lunches”. The aim of the initiative is to value the use of local and seasonal produce with a view to improving pupils’ lifestyles, based on more sustainable and healthy habits. It is the pupils themselves who make products such as bread, muffins, yoghurts, jams, etc., which they then sell to the rest of the educational community, although not for profit, with the sole aim of being able to maintain the activity of the workshop.

Renovation of Javier’s OrganiK Garden

The Geoalcali Foundation continued to support the “OrganiK” urban garden project, which promotes the consumption of local products, a concept that was born with the philosophy of promoting responsible and appropriate consumption of local resources, both of crops and of the fertiliser they receive, in this case potash. The Geoalcali Foundation provided the village of Javier (Navarra) with the plants and the fertiliser (potash) which have already borne fruit and produced vegetables which are destined for local consumption.

Javier residents planting crops at OrganiK garden.

School material for the Isidoro Gil de Jaz School in Sos

The Isidoro Gil de Jaz Infant and Primary School (CEIP) in Sos del Rey Católico (Aragón) was able to renew some of its educational and didactic material thanks to the collaboration of the Geoalcali Foundation. These are educational materials for the infant cycle aimed at promoting new learning opportunities, especially in the field of music, and with which classes can be taught in a more functional and practical way.

Wifi and fibre optics in Undués de Lerda

The Geoalcali Foundation collaborated in the installation of a fiber optics and Wifi network in Undués de Lerda (Aragón). This aid has not only contributed to providing an essential service for local residents but has also managed to attract new inhabitants to a rural area that is suffering from the phenomenon of ageing and depopulation.

Undués de Lerda town.

Transport service in Undués de Lerda

The Geoalcali Foundation maintained its support for the transport service aimed at transporting children and young people of school age from the town of Undués de Lerda (Aragón) to the secondary school in Sangüesa (Navarra). This service involves the rental of a van and the hiring of a driver to provide the service. This service contributes to improving and increasing the quality of life of resident families, providing them with greater comfort in the transport of their children and helping to fix the population in the area. The transport service is extended to all local residents who wish to use it, especially the elderly, in order to make it easier for them to carry out daily tasks such as going to the bank or carrying out formalities of all kinds.

Local Suppliers

Local procurement offers significant opportunities for economic development in host countries and communities. Mining can contribute to the Sustainability Development Goal (SDG) 8 – Decent Work by generating new economic opportunities for citizens and members of local communities, including jobs, training, and business development relating to mining operations, associated service providers, or new local economies linked to the mine.

The Group has been working to achieve this SDG by engaging actively with local suppliers. Several information sessions have been held in local communities. In 2022 again we held an event in Zaragoza. Around 40 self-employed and small and medium-sized Aragonese entrepreneurs attended the supplier conference organised by the Zaragoza Federation of Metal Entrepreneurs (FEMZ). The meeting was attended by Javier Ferrer, FEMZ president, who said that "… it is a great opportunity for Aragonese companies. We have a very strong metal sector with a lot of potential that can offer a very competitive response to the needs of the Project."

Leonardo Torres-Quevedo, Muga's Construction Director, highlighted the Company's interest in initiating a collaboration that will be of mutual benefit and emphasised the important role that Aragonese suppliers can play in the development of Mina Muga's industrial activity.

During the event, representatives from the product and service companies were able to obtain answers to their queries and requests for information regarding the opportunities offered by the Muga Project.

To date, Geoalcali has already invested more than €80 million in the development of the Muga Mine (known locally as Mina Muga). Of this investment, more than 70% has been allocated to the acquisition of products and services from suppliers in general. In addition, the Project is expected to have an annual supplier spend of more than €64 million over a mine life of at least 30 years. More than 60% of the Company´s local suppliers are Spanish.

Company presented the Project opportunities to local suppliers in event organised by FEMZ.

Caring for the Environment

We continued working on the implementation of the best environmental outcomes for Muga. In 2022, the Environmental Surveillance Plan for Muga (PVA) was submitted to the mining and environmental authorities of Navarra and Aragón. This update included all the measures and controls required by the Administration in the process of obtaining the Mining Concession and the positive Environmental Permit (DIA).

With the start of the preliminary construction works in June, the PVA was implemented and the carrying out the controls corresponding to the construction phase commenced. Quarterly reports with the results of all the controls in place have been shared with the Administrations of Navarra and Aragón.

Muga´s PVA controls and monitors the following:

Atmosphere and air quality

- Control of dust and particle emissions
- Control of plant emissions
- Control of inmission

Hydrology, Hydrogeology and Water Quality

- Surface water quality
- Groundwater quality
- Monitoring of drainage and channelling works
- Monitoring of decanting and dewatering equipment
- Monitoring of discharges

Geology, Soils and Orography

- Monitoring of erosion levels
- Monitoring of efflorescence
- Monitoring of vibration

Environmental Restoration and Landscape Integration

Effectiveness of restoration measures

- Control of topsoil extension
- Hydroseeding, plantations

Fauna, Protected Area, Natura 2000 Network and Landscape

- Monitoring of animal communities
- Control of permeability
- Control of protection measurements
- Monitoring of revegetated areas

Waste Monitoring

- Monitoring of waste management
- Monitoring of chemical storage areas
- Control of mining waste storage

Socio-Economic, Archaeological and Cultural Monitoring

- Monitoring of exclusion areas
- Monitoring of archaeological and cultural resources
- Control of noise
- Monitoring of Bardenas Chanel, Undués de Lerda and Javier

Subsidence and Seismicity Monitoring

- Monitoring of subsidence monitoring devices
- Monitoring of seismicity monitoring devices

Monitoring of Mining Waste Facilities

- Meteorological station
- Bottom drainage inspection chambers (leakage and seepage control)
- Water level sensors in ponds and monitoring of the storage of the deposit
- Dike and slope inspection
- Inspection of ditches
- Inspection of accesses

Caring for Our People

Work-life Balance

During 2022 the Company implemented a new holiday, leave and flexibility procedure with the aim of strengthening the work-life balance measures already in place. In addition to this improvement, the Company updated the working conditions established by the applicable Collective Bargaining Agreement and introduced measures to protect and improve working hours conditions, salaries and leave permits.

Embracing Diversity

The Group values a diverse and inclusive workplace and is committed to finding ways to actively support and encourage a workforce made up of individuals with diverse skills, experiences, backgrounds and attributes. The Group intends to promote and encourage diversity in the workplace and launched a women in mining initiative to give visibility to our female team members. During the festivities of International Womens Day, the Company organised a video titled "Reasons to Join Mining". The video was also shared with the UK Women in Mining association and with International Women in Mining and Resources for their International Womens Day events.

In figures

2022	11	18
Workforce	Female	Male

Turnover

Five people left the company (three women and two men) and four people joined the company (two women and two men).

Health and Safety

Training

During the first quarter of 2022, the Prevention of Risks at Work training was completed by a total of 21 workers. This training is required by the Spanish legislation. In addition to this training a course for one person for the handling of forklift trucks was carried out.

Before starting the preliminary works in Aragón mining safety training was completed in accordance with I.T.C. 02.1.02, of the General Regulations on Basic Standards for Mining Safety for the technical personnel involved in the construction phase as well as managers. In total, 21 workers were trained.

Safety Performance during Preliminary Works

The Company and its Project Management coordinator (Bovis) carried out continuous supervision of the execution of the Muga Mine construction works, including the coordination of all aspects of the works. The objective is to ensure that the contractors execute the works according to the Project as designed by the engineering company, complying with both national and the Group's own rules and regulations, thus creating a safe and accident-free workplace.

Currently surveillance and access to the site is being controlled to ensure that only those companies, workers and machinery which meet the defined requirements are authorised to access the facilities.

Striving for Zero Accidents

There were no work-related accidents involving either our own staff or contractors in 2022.

There was one in-itinere accident on the way home from work at the end of the working day. One worker required medical care. The accident was classified as a minor accident and there was no lost time. After the accident, the worker received training in road safety.

Directors' Report

The Directors present their report for Highfield Resources Limited ("Highfield Resources", "Highfield", or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2022.

Directors

The names, qualifications and experience of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr. Paul Harris

(Appointed effective 25 March 2022)

Independent Non-Executive Chairman, B Comm, M Eng. (Mining) GAICD

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 Mr. Harris 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 Koonenberry Gold (ASX:KNB) and a non-executive Director of ASX listed Aurelia Metals Ltd (ASX:AMI). In the three years immediately prior to the end of the financial year Mr. Harris did not hold any other ASX listed company directorships.

Mr. Harris has a Master of Engineering (Mining) degree and a Bachelor of Commerce (Finance) from the University of New South Wales and is a graduate of the Australian Institute of Company Directors.

Mr. Richard Crookes

(Resigned 24 March 2022)

Independent Non-Executive Chairman, BSc (Geology), Grad Dip Applied Finance

Mr. Crookes has over 30 years' experience in the resources and investments industries. He is a geologist by training having worked in the industry most recently as the Chief Geologist and Mining Manager of Ernest Henry Mining in Australia (now Glencore). Mr. Crookes is currently Managing Partner of Lionhead Resources, having previously spent six years with EMR Capital as an Investment Director and prior to that, 12 years as an Executive Director in Macquarie Bank's Metals Energy Capital (MEC). Mr. Crookes has extensive experience in Funds Management, deal origination, evaluation, structuring, and execution of investment entry and exits for both private and public resources companies in Australia and overseas. In the three years immediately before the end of the financial year, Mr. Crookes held three other directorships of listed companies (Chairman Black Rock Mining Ltd BKT:ASX, since October 2017; Non-executive Director Lithium Power International Ltd LPI:ASX, since October 2018; Non-executive Director of Barton Gold Holdings Ltd BGD:ASX, since February 2021 until May 2022).

Mr. Ignacio Salazar

Managing Director and Chief Executive Officer

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. Mr. Salazar 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. Mr. 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 degrees in Economics and Business and in Law, Mr. Salazar 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 in international relations within the industry and in the capital markets in London, North America and Australia, raising capital and in mergers and acquisitions. In the three years immediately before the end of the financial year, Mr. Salazar held no other directorships of any Australian listed company.

Ms. Pauline Carr

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

Originally 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 a professional non-executive director and also provides business improvement, risk management, project management and corporate governance solutions to organisations. 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. Her current Board roles include Chancellor of the University of South Australia, Chair of National Pharmacies and a non-executive director of ASX listed Australian Rare Earths Limited (appointed 2021). In the three years immediately before the end of the financial year, Ms. Carr did not hold any other listed company directorships.

Mr. Roger Davey

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

Mr. Davey is currently a Non-Executive Director of London Listed Atalaya Mining, Central Asia Metals and Tharisa plc.

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

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

Mr. Davey is a graduate of the Camborne School of Mines, England and holds a Master of Science degree in Mineral Production Management from Imperial College, London University. He is a Chartered Engineer (C.Eng.), a European Engineer (Eur. Ing.) and a Member of the Institute of Materials, Minerals and Mining (MIMMM). Mr. Davey also holds a Master of Science degree in Water Resource Management from Bournemouth University. In the three years immediately before the end of the financial year, Mr. Davey held no other directorships of any Australian listed companies.

Mr. Brian Jamieson

Non-Executive Director, FCA, FAICD

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

Mr. Jamieson was Chief Executive of Minter Ellison Melbourne from 2002-2005. Prior to joining Minter Ellison, Mr. Jamieson was Chief Executive Officer at KPMG Australia from 1998-2000, Managing Partner of KPMG Melbourne and Southern Regions from 1993-1998 and Chairman of KPMG Melbourne from 2001- 2002. Prior to the merger of Touche Ross & Co and Peat Marwick Hungerfords to form KPMG, Mr. Jamieson was the Managing Partner for Australia for Touche Ross & Co. He has over 30 years' experience in providing advisory and audit services to a diverse range of public and large prívate companies. He is also a Fellow of the lnstitute of Chartered Accountants in Australia and New Zealand and a Fellow of the Australian lnstitute of Company Directors.

Mr. Jamieson is currently Non-Executive Chairman of the Audit and Risk Committee of IODM Limited and is currently the Non-Executive Chairman of Energy Technologies Limited (EGY.ASX appointed 24 December 2020). Mr. Jamieson was formerly Non-Executive Chairman of Sigma Healthcare Limited (resigned 13 May 2020), Non-Executive Chairman of Mesoblast Limited (resigned 31 March 2019), NonExecutive Director of Oxiana/OZ Minerals Limited from 2005 to 2015 and served as Chairman of Audit Risk and Compliance, Nomination and Remuneration, and Due Diligence Committees. He was a Non-Executive Director of Tatts Group Limited from 2005 to December 2017 and served as the Chairman of Audit and Risk Committee, Chairman of the Due Diligence Committee and member of the Remuneration Committee. He was also a NonExecutive Director of ASX listed Tigers Realm Goal from 2010 to 2015 and chaired various committees.

He has not held any other listed directorships in addition to those set out above in the past three years.

COMPANY SECRETARY

Ms. Katelyn Adams, B.COM (Acc/Fin), CA

Ms. Adams is a partner of HLB Mann Judd, with over 15 years of accounting and corporate advisory experience, servicing predominantly ASX listed companies. She has extensive knowledge in corporate governance, ASX Listing Rule requirements, IPO and capital raising processes, as well as a strong technical accounting knowledge.

Ms. Adams is presently a non-executive director of Clean Seas Seafood Limited, as well as the Company Secretary of Petratherm Limited, 1414 Degrees Limited, Duxton Water Limited and Duxton Farms Limited.

Board Committees

Remuneration and Nomination Committee

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

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

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

The members of the Remuneration and Nomination Committee are Ms. Pauline Carr (Chairman), Mr. Paul Harris, Mr. Brian Jamieson and Mr. Roger Davey.

Audit, Business Risk and Compliance Committee

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

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

The members of the Audit, Business Risk and Compliance Committee are Ms. Pauline Carr (Chairman), Mr. Brian Jamieson and Mr. Roger Davey.

Interests in the Securities of the Company

As at the date of this report, the interests of the Directors in the securities of Highfield Resources Limited are as follows:

Director	Ordinary Shares	Options over ordinary shares
Paul Harris	-	1,000,000
Ignacio Salazar	126,700	4,771,053
Pauline Carr	62,101	1,000,000
Brian Jamieson	66,943	1,000,000
Roger Davey	9,251	1,000,000

The table below provides a further breakdown of the options held by Directors:

Director	Paul Harris	Ignacio Salazar			Pauline Carr	Brian Jamieson	Roger Davey
Options by price and expiry	$1.07	$0.47	$0.865	$0.94	$0.81	$0.81	$0.81
30 June 2023	-	-	-	-	1,000,000	1,000,000	1,000,000
31 December 2023	-	333,333	-	-	-	-	-
31 December 2024	-	333,333	591,803	-	-	-	-
30 June 2025	1,000,000	-	-	-	-	-	-
31 December 2025	-	333,334	509,961	736,440	-	-	-
31 December 2026	-	-	459,971	736,439			
31 December 2027	-	-	-	736,439			

Results of Operations and Finance Review

The Company's net loss after taxation attributable to the members of Highfield Resources Limited for the financial year ended 31 December 2022 was $5,789,353 (year ended 31 December 2021: $6,699,579).

As the Group is still at the exploration phase, revenue obtained related to interests earned from the cash positions held by the Company.

Total consolidated cash on hand at the end of the financial year was $19,446,084 (31 December 2021: $22,241,425).

Net cash outflow from operating activities utilised $4,000,869 (31 December 2021: $4,343,614) mainly to fund General and Administrative costs.

Net cash outflow from investing activities of $12,145,643 (31 December 2021: $10,701,325) was predominantly expenditure to advance the Muga-Vipasca Project in relation to:

- Equipment, ramps and civil engineering fees;
- Advances to landowners under agreements to acquire land for the Project;
- Deposits paid upon signing process plant's equipment supply agreements;
- Construction license tax for Undués de Lerda townhall on the back of the construction license award;
- Payment of the financial guarantee for the restoration activities to be carried out in the town of Undués de Lerda;
- Project Finance related expenditure, including payments for due diligence conducted by independent consultants'; and
- Payments relating to preliminary works at the mine gate.

Net cash inflow from financing activities of $13,473,000 in the financial year to 31 December 2022 was attributable to net proceeds from the issue of ordinary shares via an institutional placement and conversion of unlisted options (31 December 2021: $17,286,500).

Dividends

No dividend was paid or declared by the Company during the financial year ended 31 December 2022 or up to the date of this report. No recommendation for payment of dividends have been made.

Risk Management

The Group has developed a Risk Management Framework ("RMF") that embeds robust practices into the Group's risk culture and is the cornerstone of HFR's financial future. The Group's RMF is based on three overriding risk management principles that are in line with the ISO 31000-2018:

- Empowering managers and risk owners;
- Developing risk management as a cultural discipline; and
- Supporting managers with the assistance they need to manage risks.

The RMF has a number of policies at its apex which set high level strategic objectives. These policies are supported by Group procedures, manuals, and handbooks which define the necessary steps to carry out certain required tasks. The main purpose for this is to establish a sound framework of risk oversight, risk management and internal controls to underpin to the Company's commitment towards a good corporate governance.

The RMF requires that the CEO and CFO report to the Board at least annually as to the effectiveness of the Group's management of its key business risks. In addition, the RMF is subject to annual review by the Audit, Business Risk and Compliance Committee.

The Directors have assessed the Group's current and future situation and have concluded that business risks are at this stage well managed and are being regularly monitored. Management has classified the key risks facing the Group into the following categories, namely:

Risk Category	Risk Description	Mitigation Strategy
Strategic Risks – Permitting	A delay in the award of the definitive construction license by the townhall of Sangüesa could delay the main construction start.	Management is proactively dealing with the townhall of Sangüesa municipality and in constant dialogue with it to ensure the process is finalised as quickly as possible.
Financial Risks – Cash availability	In the event that the equity financing for the Project is delayed the Group's cash could potentially deteriorate.	As at 31 December 2022 HFR had A$19.4m in cash (€12.4m). The Group maintains a strict discipline in managing its cash flow while trying to advance the Project. In this respect, a very tight cash expenditure policy was implemented to hold off non-essential expenditure.
Financial Risks – Project Funding	Inability to find suitable options to fund the equity shortfall on acceptable terms, leading to a fall in the Company's share price and a reduction in the Company's market capitalisation.	Management is working to fully fund the Project before the commencement of construction. The execution of the definitive documentation for the €320.6 million Senior Secured Project Financing has significantly contributed towards this objective. The Group is currently in meaningful dialogue with several potential strategic partners and is analysing a number of alternatives including royalties and convertible financing structures for the remainder of the funding.
Financial Risks – Capex Overruns	During construction a number of adverse events could occur that would require additional funding to ensure continuing compliance with bank covenants.	The Updated Feasibility Study was completed in November 2022 using a prudent approach to costs in line with the banks' financial model and factoring in inflation pressure. A Cost Overrun Debt Facility of €20.6 million was approved by the banks and an additional €36.7 million was requested as a Condition Precedent for first Project Finance drawdown.
Operational Risks – Health & Safety (H&S)	Hazards and incidents require early identification, root cause analysis and a response strategy.	Safety performance forms part of employees' variable at risk remuneration. Safety indexes are constantly monitored and results reported to the Board monthly. The Group has enacted a Crisis Management Manual to enable accurate and early capture of incidents, especially high potential issues. Crisis simulations are conducted every year and a lessons learnt document duly drafted.
Operational Risks – Key personnel	The Group is reliant on a number of key personnel. The loss of one or more of its key personnel could have an adverse impact on the business of the Group.	Staff retention programs are in place to retain talent. A competitive remuneration package is offered to the Group's employees and when recruiting special attention is given to identifying applicants' career motivations and expectations and alignment with the Company's values.
Construction Risks – Construction execution	Significant problems for construction or future operations due to lack of employee skills/training. Construction costs could exceed those contemplated in the latest Feasibility Study.	The Group is working with the Regional Employment Offices of Navarra and Aragón to build a pool of potential local candidates. In addition, talent and development management initiatives have been implemented in the Group to ensure the development and training of staff. In addition, external consultants are commissioned to provide specialist expertise to supplement the in-house team.
Technical Risks	Although the Muga plant will be based on established technology, its actual performance will depend on successful detailed engineering, quality construction, and the plant responding as expected to Muga ore.	The detailed engineering has been undertaken by an experienced and reputable consultant. The Group is working to ensure the same consultant is involved as the Owner's Engineer throughout the installation and commissioning phases. Plant commissioning is currently being negotiated with a company which has the proven experience, expertise and capability.
Marketing & Logistics Risks – Offtake agreements	As a new entrant in the market, the Group expects to achieve offtake agreements with standard market reference prices. Competitive pressure in the market may result in poorer agreements for the company.	MOUs have been signed with fertiliser traders with deep potash market experience and contacts to help mitigate the risk. Muga´s location is expected to allow it to achieve local premiums including logistics benefits.
Marketing & Logistics Risks – Port facilities	Delays in finalising the sale mix and shipping destinations will mean that a dedicated port facility may not be available in time, or at all.	MOUs have been signed with three nearby ports (Pasajes, Bilbao and Bayonne) and a regular dialogue is maintained with them with a view to building the future partnership.

Corporate Structure

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

Nature of Operations and Principal Activities

The principal activity of the Company during the financial year was mineral exploration and progressing its flagship Muga-Vipasca Project. There was no significant change in the nature of the Group's activities during the financial year ended 31 December 2022.

Review of Operations

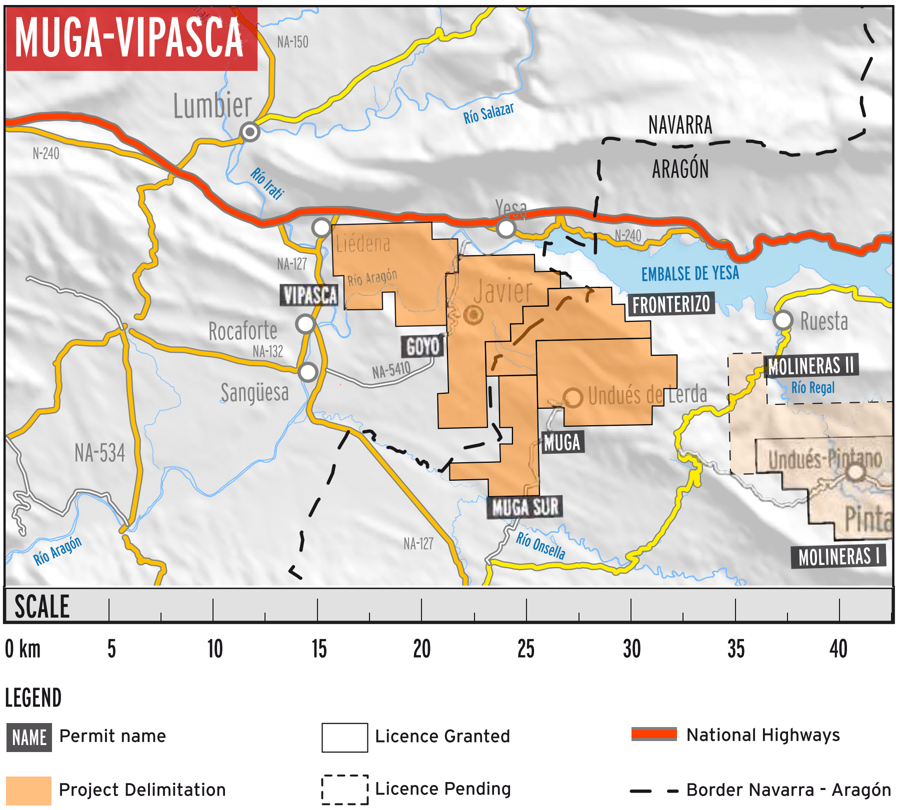
Highfield Resources Limited is a potash company listed on the Australian Securities Exchange (ASX) with three 100% owned potash projects located in Spain´s potash producing Ebro Basin.

Muga-Vipasca Project

Highfield's flagship Muga Project ("Muga" or "the Project") is targeting the relatively shallow sylvinite beds in the Muga Project area that covers about 46km² located in the Provinces of Navarra and Aragón. Mining is planned to commence at a depth of approximately 350 metres from surface and is, therefore, ideal for a relatively low-cost conventional mine accessed via a dual decline.

The Vipasca permit extends over 14km² adjacent to the Muga Project. Its geological characteristics make Vipasca's potash unit a natural continuation of the Muga deposit. However, the geological data obtained in recent years show that only the section located at the east of the permit is economically viable at the present time, while the potash in the central and western sectors is too deep, situated at more than 1100 metres depth. Accordingly, the Company relinquished these areas in 2021 and focused its efforts on the eastern sector, that has upgraded its categorisation from Exploration Target to Mineral Resource and is considered an extension to the Muga Mining Concession. Consequently, the Company requested the Government of Navarra to transfer the Vipasca investigation permit into a mining concession during the first quarter of 2022, thus taking the first step in the process to add Vipasca into the operations of the Company. This process will be run in parallel with the construction of the Muga mine.

During the first quarter of 2022 Highfield relinquished Goyo Sur and Muga P.I. areas within the Muga project due to their lack of geological interest.



Permitting Update

Following the award of the positive environmental declaration, Declaración de Impacto Ambiental ("DIA"), for the Muga Project on 31 May 2019, and the granting of the Mining Concession ("MC") on 1 July 2021 for the three areas comprising the Muga Project (namely Fronterizo, Muga and Goyo), which are two key permitting milestones to move the Project forward, the Company has focused its efforts on obtaining the construction licences. To this end, Highfield intensified dialogue with the townhalls of Sangüesa (Navarra) and Undués de Lerda (Aragón), which are responsible for the construction licences of the processing plant and the mine gate and ramps, respectively.

As reported 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 access the ore body. The work started immediately in Undués, and the mine gate works are now complete.

The construction licence from the townhall of Sangüesa was split into two components – the electricity line and the process plant. In accordance with Navarran licensing and procedural laws, the townhall of Sangüesa requested the Government of Navarra for authorisation to construct the electricity line on non-urbanised land. This was granted during the first quarter of 2022.

Afterwards, in order to continue moving towards completion of the permitting procedure, the municipality of Sangüesa requested a second authorization from the Government of Navarra to construct the processing plant on non-urbanised land. This required an extensive review of the processing plant against Sangüesa's urbanistic plan and other land management legislation to exclude potential constraints related to its location. The Government issued this authorisation during the fourth quarter of 2022 (refer ASX release 13 November 2022, "Process Plant Licence Authorisation Received").

Following this, as reported on 29 March 2023 (refer ASX release 29 March 2023, "Construction Licence Granted for Muga Mine Process Plant"), the townhall of Sangüesa issued the licence for the construction of the process plant. With this permit the Company has the required permits to begin the full-scale construction of Muga comprising the civil works, the process plant and the ramps in the second half of 2023.

The Project continues to receive support from the local authorities. Examples include the Social Baseline Study (an independent study commissioned by the Government of Navarra which analyses the Project from an economic and social perspective) published in March 2021 and the attendance of Ms. María Chivite, the President of Navarra, at an official Company event at the Mine site in June 2021 where she reiterated the strategic importance of the Muga Mine for the economic recovery of the region.

Following the Social Baseline Study, the Government of Navarra officially launched in July 2022 the Muga Community Initiative (refer ASX release 1 July 2022, Muga Community Initiative launched), a public-private partnership that materialised the Government support by allocating specific resources and funds. This initiative aims to boost the socio-economic impact of the mine by working collaboratively with different Government departments such as housing, transport, depopulation, employment and training with local communities and the Company.

The Company hosted a site visit to the preliminary works in Undués de Lerda. More than 40 local leaders attended the visit in September 2022 coinciding with the Muga Community initiative launch in Aragón.

Technical Update

In order to continue advancing towards construction, the Company announced in the first quarter of 2022 (refer ASX release 15 February 2022, "Remaining Purchase Contract Signed") that all remaining key process plant equipment purchase contracts had been signed with its suppliers. Following the signing of these contracts the Company received equipment engineering drawings that allowed for the further finetuning and optimisation of the detailed engineering of the processing plant.

Apart from some minor updates that were incorporated following comments as part of the due diligence process with the financing banks, the processing plant design is the same as was presented in the December 2021 Muga Feasibility Study Update.

Construction Update

Preliminary construction works commenced at the end of the second quarter of 2022 shortly after the receipt of the construction licence for the mine gate and ramps, The Company signed a construction contract with Acciona Construcción SA ("Acciona") for these preliminary works comprising 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).

During the second half of the year, the initial construction work continued to progress according to schedule and within budget. By the end of the year, the slopes were finished, bolted and shotcreted to ensure long-term stability. The mine-gate area is ready to commence the excavation of the ramps.

Negotiation between Highfield and Acciona continues for the remainder of the construction agreement, while the two partners are running a parallel tendering process on an open book basis for the whole of Project construction works.

Sales and Marketing Update

During the first half of 2022, the Unites States and the European Union imposed a series of trade sanctions on Russia and Belarus on the back of the Ukrainian invasion. As well as having a long-term impact on grain prices, the conflict has worsened the supply constraints the potash market has been experiencing since 2021. The ongoing Ukrainian conflict has spurred discussions with traders, potential offtake partners and logistics partners who are interested in a strategic participation in the Project.

During 2022, Highfield continued to engage with the three ports it signed MOUs with, namely Pasajes, Bilbao and Bayonne, with a view to continued development of the Company's transport and logistics strategy. The strategy is a key component in the development and implementation of the Company's sales and marketing plan.

As well as the transport and logistics strategy the salt sales and marketing plan has also progressed significantly in 2022. The Company has also maintained engagement with all local potash buyers, who are currently experiencing major supply disruptions, to position itself a key supplier of choice for the nearby market in the future.

Financing Update

Towards the end of 2021, Highfield undertook a comprehensive due diligence process for the banks in conjunction with a group of specialised consultants in technical, ESG, marketing and legal matters. The due diligence reports underpinned the banks' assurance in the debt financing process.

In the first quarter of 2022 the Company agreed a non-binding indicative term sheet for a €312.5 million senior secured project financing package with four international financial institutions, comprising BNP Paribas S.A., ING Bank N.V., Natixis and Société Generale (London Branch), (refer ASX release 31 March 2022, "Non-binding indicative term sheet for a €312.5m senior secured project financing package agreed").

Shortly after, the Company executed a mandate letter for the €312.5m financing package to finance the construction of Muga with the same institutions, which will be the Mandated Lead Arrangers (refer ASX release 4 May 2022, "Highfield signs €312.5 million Senior Secured Project Financing Mandate Letter").

In the third quarter of 2022 the Company received credit approval for the senior secured project finance facility for an amount up to €320.6m. This facility comprises two financing agreements, a Senior Debt Facility of €300 million to fund the construction and development of the Project, and a Cost Overrun Debt Facility of €20.6 million to be used, if required, in the construction and development of the Project (refer ASX release 24 October 2022, "Highfield secures credit approval for €320.6 million Senior Secured Project Financing for Muga Project Development").

During the fourth quarter of 2022, Highfield announced (refer ASX release 23 December 2022, "Project Financing – Definitive Documentation Signed") that it had signed the principal credit facilities with the above syndicate of financial institutions. Credit drawdown is ultimately dependent upon raising and expending the equity gap to fully fund the Project.

As announced on 4 July 2022, the Company also signed 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").

Finally, towards the end of the fourth quarter, Highfield successfully raised A$13 million via an institutional placement (refer ASX release 12 December 2022, Successful Equity Raising of A$13 million to Fund Continued Progress at the Muga Mine). The Company received firm commitments from institutional, sophisticated and professional investors for the placement of ordinary shares of the Company. The placement was oversubscribed with strong support from new and existing shareholders, including high-quality institutional investors based both in Australia and offshore.

Economic Update

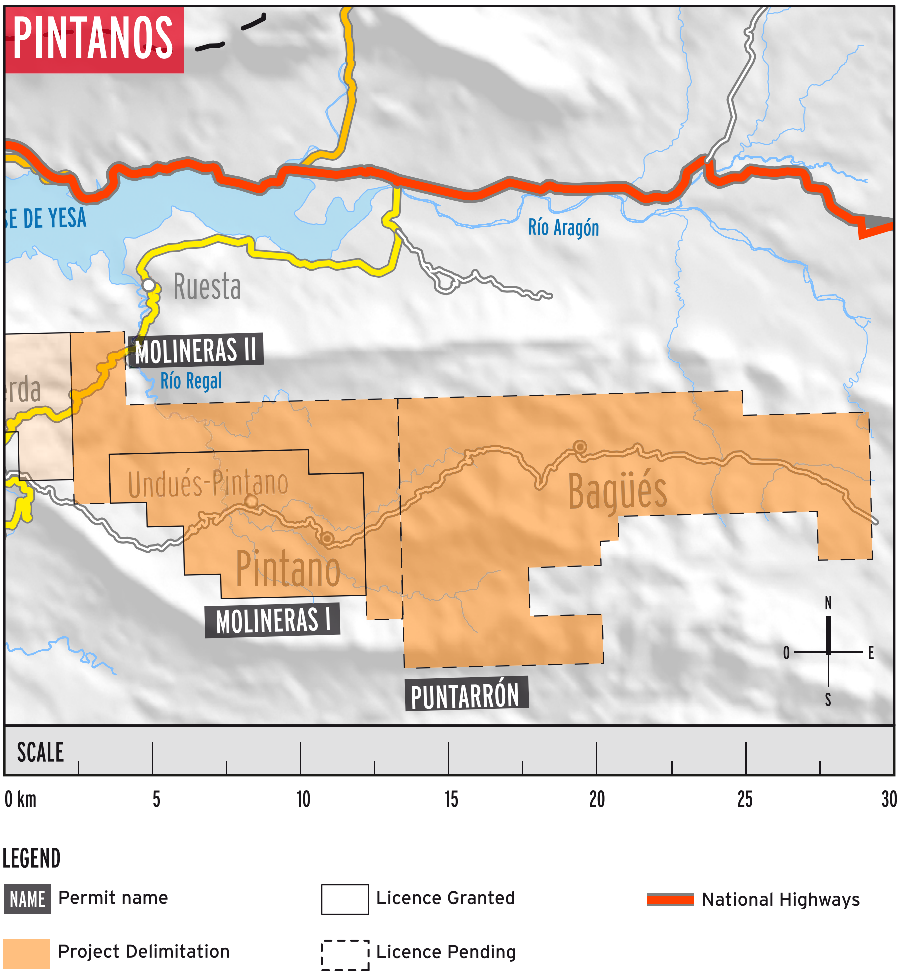
An update of the Project's Feasibility Study was undertaken by the Company during the fourth quarter of 2022 (refer ASX release 3 November 2022, "Muga Feasibility Study: Compelling Economics Reconfirmed"). The study is based on the results of a robust external due diligence undertaken during the Project finance process and incorporates the progress that the Project's technical team has made during the second half of 2022 and incorporates updated offers, prices and contracts related to construction of the Project.

The updated project economics resulted in an NPV of €1.82 billion and an IRR of 21% over a 30-year mine life. A sensitivity analysis using the November 2022 flat real spot prices for the whole life of mine resulted in a post-tax NPV of €3.1 billion and an IRR of 42%. The updated capex for Phase 1 is €436 million, and €226 million for Phase 2. At full production, the EBITDA will be approximately €410 million per annum.

Pintanos Project

Adjacent to the Muga Project, the Pintanos tenement area comprises the three permits of Molineras 1, Molineras 2 and Puntarrón and covers an area of 65km². The drilling permit at Molineras 1 was extended for three years in 2020. The Company re-initiated the application process for the drilling permits at Molineras 2 and Puntarrón in 2019 and continues to await the award of the permit from the authorities.

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

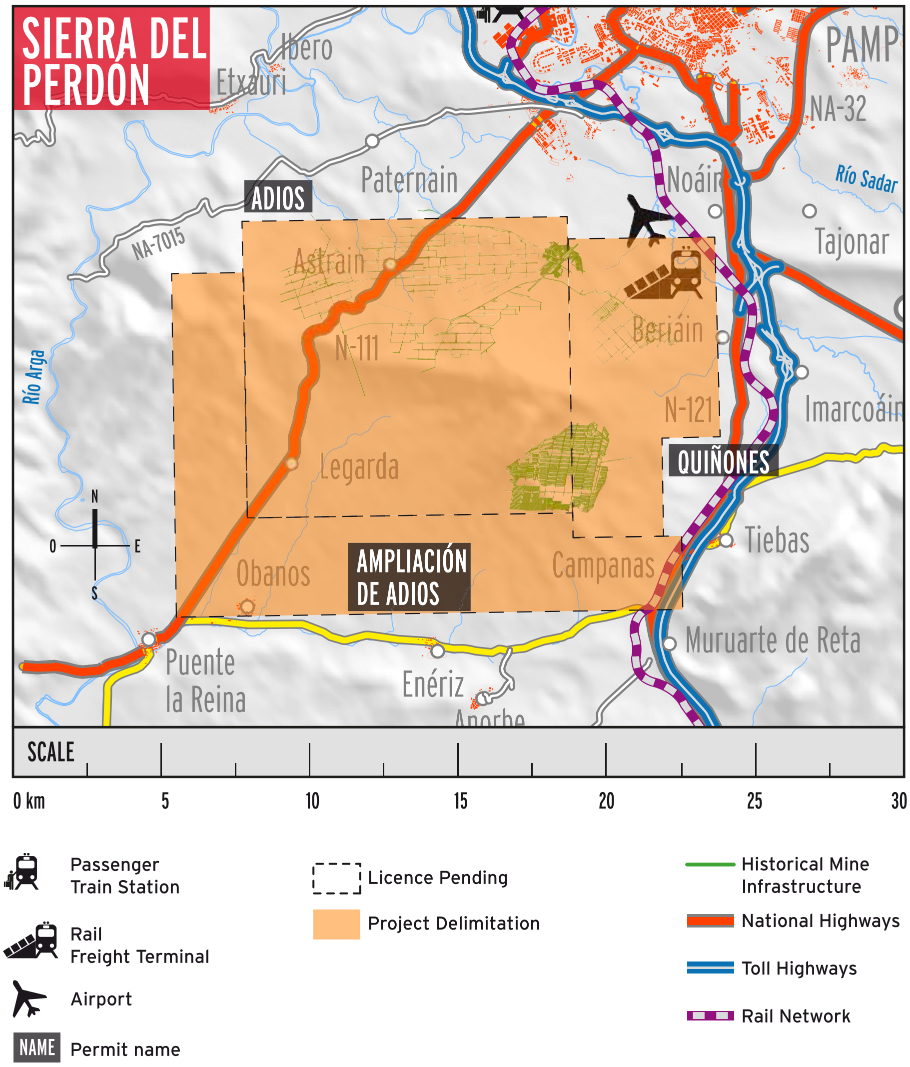


Sierra del Perdón Project

Located southeast of Pamplona, the Sierra del Perdón tenement area ("SdP") covers approximately 120km² and comprises the three permits of Quiñones, Adiós and Ampliación de Adiós. SdP is a brownfield target which previously hosted two potash mines operating from the 1960s until the late 1990s and which produced nearly 500,000 tonnes of potash per annum. The Company believes that there is potential for potash in new unmined areas in the SdP area.

The Company was advised in the fourth quarter of 2018 that the second three-year extension application for the Adiós and Quiñones permits had been rejected by the mining department of the Government of Navarra. Highfield appealed this decision in 2019 and to date has not obtained a resolution. In the fourth quarter of 2020, the second three-year extension application for the Ampliación de Adiós permit had been rejected by the mining department of the Government of Navarra, a decision that was appealed by the Company in the same quarter. Based on local Spanish legal advice, the continued lack of a resolution to these appeals does not represent a significant change with an adverse effect on the entity.

No drilling took place at SdP during 2022.



Geoalcali Foundation

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

Projects

Since its establishment in September 2014 Geoalcali Foundation has provided support to over 180 community projects in close collaboration with town halls, social associations, foundations, and other local organisations. The wide range of initiatives supported by the Company are well known and appreciated by the local community, with a number of them having received awards and recognition as sustainable initiatives.

During 2022 the Foundation worked closely with the Geoalcali's Public Affairs team to enhance stakeholder relationships and create the Muga Community. This is a working group comprising the Government of Navarra, the mayors of the villages around the mine and Geoalcali. Its main purpose is to maximise the socio-economic impact the Muga mine will have on the local area (refer ASX release 1 July 2022, Muga Community Initiative launched).

Corporate

Directors

On 16 March 2022, the Company announced that Mr. Paul Harris was appointed as an Independent Non-Executive Director and Chairman of the Board with effect from 25 March 2022. Mr. Harris replaced former Chairman, Mr. Richard Crookes, who was stepping down from the Board to focus on his new business interest as Managing Partner of Lionhead Resources.

Annual Review of Ore Reserves and Mineral Resources

In accordance with ASX Listing Rule 5, the Company has performed an annual review of all JORC-compliant Ore Reserves and Mineral Resources as at 31 December 2022. Rounding differences may occur.

Muga-Vipasca Project

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

An updated Ore Reserve for the Muga Project was derived as at December 2018 and released to the ASX on 22 January 2019. The data in this study was considered by the Company to remain valid as at 31 December 2019 and 31 December 2020.

On 23 November 2021 the Company released to the ASX an updated Ore Reserve which included both the Muga and Vipasca projects. The updated Ore Reserve was audited by SRK Consulting (UK) Ltd ("SRK") with an effective date 31 October 2021 and was used as the basis for the updated Feasibility Study released on 8 December 2021. The Company considers this Ore Reserve, which is presented below in terms of future plant feed, to remain valid as at 31 December 2022.

Table 1: Muga-Vipasca Ore Reserves Summary

	31 December 2022		31 December 2021		31 December 2020	
	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)
Proved	45.3	10.5%	45.3	10.5%	42.9	10.2%
Probable	59.0	10.0%	59.0	10.0%	65.8	10.2%
Total Proved & Probable	**104.3**	**10.2%**	**104.3**	**10.2%**	**108.7**	**10.2%**

Additional notes to consider for the purposes of the Ore Reserves statement are as follows:

1. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material.
2. The Concession is wholly owned by and exploration is operated by Geoalcali S.L.U., the wholly owned Spanish subsidiary of Highfield Resources.

3. The standard adopted in respect of the reporting of the Ore Reserve for the Project, following the completion of required technical studies, is the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

4. SRK and the Company reasonably expect the Muga deposit to be amenable to a variety of underground mining methods for the shallow and inclined potash seams. The Ore Reserve is reported at an 8% K_2O cut-off which is based on potash price assumptions, metallurgical recovery assumptions from initial testwork, mining costs, processing costs, general and administrative (G&A) costs, and other factors.

5. The Ore Reserve is reported in wet tonnes with a low moisture content of 0.8%.

Highfield released an updated JORC-compliant Mineral Resource Estimate ("MRE") for the Muga Project to the ASX on 10 October 2018 that was deemed valid for the year ended 31 December 2019.

On 30 March 2021, an updated MRE for the combined Muga-Vipasca Project, valid as at 31 August 2020, was released to the ASX. This MRE, which is inclusive of all Ore Reserves shown above in Table 1, is presented below in Table 2 and was also audited by SRK. The Company believes this remains valid as at 31 December 2022.

Table 2: Muga-Vipasca Mineral Resources Summary

	31 December 2022		31 December 2021		31 December 2020	
	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)
Measured	103.2	12.3%	103.2	12.3%	103.2	12.3%
Indicated	134.1	11.7%	134.1	11.7%	134.1	11.7%
Total Measured & Indicated	**237.3**	**12.0%**	**237.3**	**12.0%**	**237.3**	**12.0%**
Inferred	44.9	10.8%	44.9	10.8%	44.9	10.8%
Total	**282.2**	**11.8%**	**282.2**	**11.8%**	**282.2**	**11.8%**

Additional notes to consider for the purposes of the Mineral Resources statement are as follows:

1. Reported above a cut-off grade of 8% K_2O and a minimum mining thickness (where horizons will be mined separately) of 1.5m.

Sierra del Perdón Project

Highfield released a maiden MRE for the Sierra del Perdón Project to the ASX on 7 April 2015. The Company considers this MRE to remain accurate as at 31 December 2022.

Table 3: Sierra del Perdón Mineral Resources Summary

	31 December 2022		31 December 2021		31 December 2020	
	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)
Measured	-	-	-	-	-	-
Indicated	41.8	10.7%	41.8	10.7%	41.8	10.7%
Total Measured & Indicated	**41.8**	**10.7%**	**41.8**	**10.7%**	**41.8**	**10.7%**
Inferred	40.3	10.5%	40.3	10.5%	40.3	10.5%
Total	**82.1**	**10.6%**	**82.1**	**10.6%**	**82.1**	**10.6%**

Pintanos Project

Highfield released a maiden MRE for the Pintanos Project to the ASX on 20 November 2013. During the year ended 30 June 2017, two drill holes were completed at the Pintanos Project (see the Company's ASX Quarterly Activities Report released on 24 April 2017). The results of both holes were unfavourable compared with the former block model which informed the maiden MRE released on 20 November 2013 and therefore adversely impacted the tonnage available to be classified as inferred resources. As a result, a revised MRE was prepared and reported in the ASX Additional Information section of the Company's annual report for the year ended 30 June 2017, as summarised in Table 4 below. The Company continues to believe the exploration potential for Pintanos remains strong and will continue exploration of the project.

The Company considers this MRE remains accurate as at 31 December 2022.

Table 4: Pintanos Mineral Resources Summary

	31 December 2022		31 December 2021		31 December 2020	
	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)
Measured	-	-	-	-	-	-
Indicated	-	-	-	-	-	-
Total Measured & Indicated	**-**	**-**	**-**	**-**	**-**	**-**
Inferred	70.7	11.9%	70.7	11.9%	70.7	11.9%
Total	**70.7**	**11.9%**	**70.7**	**11.9%**	**70.7**	**11.9%**

Summary

A summary of Highfield's total Ore Reserves and Mineral Resources is shown below.

Table 5: Highfield Total Ore Reserves Summary (all projects)

	31 December 2022		31 December 2021		31 December 2020	
	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)
Proved	45.3	10.5%	45.3	10.5%	42.9	10.2%
Probable	59.0	10.0%	59.0	10.0%	65.8	10.2%
Total Proved & Probable	**104.3**	**10.2%**	**104.3**	**10.2%**	**108.7**	**10.2%**

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

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

	31 December 2022		31 December 2021		31 December 2020	
	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)
Measured	103.2	12.3%	103.2	12.3%	103.2	12.3%
Indicated	175.9	11.5%	175.9	11.5%	175.9	11.5%
Total Measured & Indicated	**279.1**	**11.8%**	**279.1**	**11.8%**	**279.1**	**11.8%**
Inferred	155.9	11.2%	155.9	11.2%	155.9	11.2%
Total	**435.0**	**11.6%**	**435.0**	**11.6%**	**435.0**	**11.6%**

Corporate Governance – Resource and Reserve Estimation and Reporting

Due to the nature, stage and size of the Company's existing operations, the Company has historically concluded that there would be insufficient efficiencies or additional governance benefits gained by establishing a separate mineral resources and ore reserves committee responsible for reviewing and monitoring the Company's processes for deriving and reporting mineral resource and ore reserve estimates and for ensuring that the appropriate internal controls are applied to such estimates. However, the establishment of such a committee, at an appropriate time, remains under consideration. In the interim, the Company continues to ensure that all drill results and Mineral Resource calculations are validated by a competent, senior geologist and are reviewed and verified independently by a qualified person.

Significant Changes in the State of Affairs

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

Significant Events After the Reporting Date

As reported on 29 March 2023 (refer ASX release 29 March 2023, "Construction Licence Granted for Muga Mine Process Plant"), the townhall of Sangüesa issued the licence for the construction of the process plant. With this permit the Company has the required permits to begin the full-scale construction of Muga comprising the civil works, the process plant and the ramps in the second half of 2023.

Likely Developments and Expected Results of Operations

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

Environmental Regulations and Performance

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

Share Options

Refer to note 20 to the consolidated financial statements below for details.

Indemnification and Insurance of Directors and Officers

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

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

Directors' Meetings

The numbers of meetings of Directors and Committees held during the year ended 31 December 2022 and the number of meetings attended by each Director were as follows:

Director	Directors' Meetings		Remuneration and Nomination Committee		Audit, Business Risk and Compliance Committee	
	A	B	A	B	A	B
Richard Crookes	3	3	2	1	1	1#
Paul Harris	5	5	1	1	3	2#
Ignacio Salazar	8	7**	3	3#*	4	4#*
Pauline Carr	8	8	3	3	4	4
Roger Davey	8	8	3	3	4	4
Brian Jamieson	8	8	3	3#	4	4

A = number of meetings held during the time the Director held office as a Director or a Committee member.

B = number of meetings attended during the financial year. Note that Directors may attend Committee Meetings without being a member of that Committee.

 # Attendance at meeting by invitation.

** Additional meetings attended in the capacity of CEO.*

*** Not in attendance as he had a material personal interest in the business of the meeting.*

Proceedings on Behalf of the Company

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

Corporate Governance

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

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

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Highfield with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 120 of the annual report. No non-audit services were provided by the Company's auditor.

Audited Remuneration Report

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel (KMP) of Highfield Resources Limited for the year ended 31 December 2022. KMP of the Group consists of the Board (including the CEO), as well as certain individuals who have authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

Details of Directors and Other Key Management Personnel

The following individuals have held their positions and were KMP for the whole year, unless stated otherwise:

Non-executive Directors	
Richard Crookes	Independent Non-Executive Chairman (resigned 24 March 2022)
Paul Harris	Independent Non-Executive Director (appointed 25 March 2022)
Pauline Carr	Independent Non-Executive Director
Roger Davey	Independent Non-Executive Director
Brian Jamieson	Non-Executive Director
Executives	
Ignacio Salazar	CEO and Managing Director
Javier Aguado	Chief Financial Officer

Remuneration Policy

The Group has a general remuneration policy aimed at ensuring that emoluments properly reflect the individuals' duties and responsibilities, and that remuneration is fair and competitive in attracting, retaining and motivating quality people with appropriate skills and experience. The policy is set out in a transparent manner and communications and engagement with stakeholders provide clarity around all elements of the policy. At the time of determining remuneration, consideration is given by the Board to the Group's financial circumstances and performance.

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives reporting to the CEO. As part of its suite of corporate governance policies and procedures, the Board has a majority independent Remuneration and Nomination Committee to oversee the Group's remuneration and nomination responsibilities and related governance as well as formulate the Company's remuneration framework and remuneration policy.

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

Level	Short Term Incentive	Long Term Incentive[1]
CEO	Up to 75% of fixed remuneration	Up to 85% of fixed remuneration in the form of options subject to vesting conditions
Senior executives	Up to 50% of fixed remuneration	Up to 50% of fixed remuneration in the form of options subject to vesting conditions

[1] *The exercise price of options is set at a premium to the share price at the date of grant, in order to provide an incentive linked to the longer term performance of the Company relative to the market. The premium for options granted during the year was 25%. For the options to vest the participant must remain employed with the Company at the vesting assessment date of each tranche of options.*

Remuneration Philosophy

The Company and its controlled entities aim to position themselves so that the total remuneration paid to employees will be competitive relative to the market. The Remuneration and Nomination Committee generally undertakes a market benchmarking review of executive positions at least once every three years to ensure that the Company's remuneration offerings remain competitive with its contemporary peer group.

Use of Remuneration Consultants

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

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

During the year the Company did not engage any remuneration consultants.

Review of KMP Remuneration

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

When performing the remuneration review, the Board considers:

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

Components of Remuneration of Other KMP and Senior Executives

Total Fixed Remuneration ("TFR")	At-risk remuneration	
	Short Term Incentive ("STI")	**Long Term Incentive ("LTI")**
Base remuneration that reflects the job size, role, responsibilities, and professional competence of each executive, according to their knowledge, experience and accountabilities and considering external market relativities. The pay of executives is reviewed on promotion. There is no guaranteed pay increase included in any executive's contract.	Variable, performance based, annual cash incentive plan designed to reward high performance against challenging, clearly defined, realistic and measurable objectives that are based on Company KPI targets (scorecard) that are set to encourage superior performance. The Board has the flexibility to pay the STI in shares if it deems this is a more appropriate mechanism as befits the Company's circumstances at different junctures in time.	The equity component of the at-risk reward opportunity, linked to the creation of shareholder value and foster employee retention.

The mix of fixed and at-risk remuneration varies depending on the role and level of executive, and also depends on the performance of the Company and an employee's individual plan. Compared with other employees, senior positions have a greater proportion of at-risk remuneration and have a higher proportion of their at-risk remuneration assessed on Company performance KPIs.

In addition to fixed and at-risk remuneration, share options may be issued to KMPs at the commencement of their employment, where the Board determines this to be appropriate.

Non-Executive Director ("NED") Remuneration

NED remuneration is reviewed periodically by the Remuneration and Nomination Committee to ensure it remains competitive. With the exception of the Chairman, NEDs receive a fixed fee remuneration consisting of an annual base Board fee with additional fees for any committee positions they hold. The Chairman receives a fixed annual fee with no additional amounts payable for Committee memberships. From time to time and in accordance with the Constitution the Board may also award non-recurring extra exertion amounts to non-executive Directors where it determines such payments are warranted.

In addition to fixed fee remuneration, the Board may propose that shareholder approval be sought for the issue of share options to Directors when it determines this to be appropriate.

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

Details of NED Remuneration

Fees	Board Chair per annum $	Committee Chair per annum $	Member per annum $
Board of Directors	120,000	-	60,000
Remuneration and Nomination Committee	-	18,000	9,000
Audit, Business Risk and Compliance Committee	-	18,000	9,000

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

Key Performance Indicators for Short Term Incentives

Key Performance Indicators ("KPIs") are aligned to reflect corporate and strategic objectives. KPIs are reviewed by the Company's Remuneration and Nomination Committee and approved by the Board. The KPIs of the CEO and the senior executives reporting directly to him are also reviewed by the Committee and approved by the Board. They typically cover targets in respect of safety, environment, social responsibility, permitting, finance, construction and project delivery.

The aggregate score against the Company's KPIs determines the total size of the STI bonus pool to be awarded to participants. A personalised plan related to the level of responsibility of each of the senior executives helps assess the performance of each executive and is the base for their individual STI.

The KPIs for the year ended 31 December 2022 were assessed in accordance with the parameters set out in the Remuneration Policy section above.

As in the previous year, the level of achievement of KPIs was only assessed as Target.

Summary Company KPI Performance

For the year ended 31 December 2022 the STI corporate and strategic KPI performance outcomes for KMPs were assessed as follows:

KPI Category	Corporate Objective for the year	Weighting for 2022 %	2022 Outcome %
Safety, Health, Environmental and Community	No injuries or environmental incidents and appropriate responses to social grievances	10	10
Permits	Construction licences from Sangüesa, and Undués, and Confederación Hidrográfica del Ebro ("CHE") permits granted	25	15
Financing	Successful debt and equity financing	25	15
Engineering	Design and Engineering readiness, procurement and preparation for construction	10	7.5
Construction	Agreement with proposed Major Construction Partner and tendering	15	7.5
Construction	Construction at project site commenced	15	10
Total		**100**	**65**

Short Term Incentive Award

The remuneration of the CEO and CFO for the financial year included cash performance pay in respect of the attainment of company and individual STI KPIs set by the Board. The STI awards relate to the achievement of KPIs for the year ended 31 December 2022. The 2022 STI cost was approved by the Board in March 2023 for payment in cash later in 2023. Management proposed payment in the form of 100% cash and at such time that financing is completed to the satisfaction of the Board and after taking into consideration the appropriateness of the Company's cash position.

The STI for the year ended 31 December 2021 was approved by the Board in late 2022 and paid to recipients in early 2023. The CEO has asked that payment of his FY21 STI be deferred until funds to progress the construction of the Muga project are obtained.

Long Term Incentive Performance and Outcomes for 2022

Awards granted under the Highfield Resources Limited LTI Plan consist of share options which are granted for no consideration and carry no dividend or voting rights. Following vesting and subsequent exercise of the options one ordinary share in the Company will be allocated per option.

Vesting of options is subject to employees achieving certain conditions. In this respect all the outstanding options (except for those granted to the Chairman upon his appointment) will vest on satisfaction of the recipients' continued employment set for the last day of each vesting period. Employee retention has been identified as an important project success factor and its use as a performance hurdle also reflects the current Spanish labour market for experienced people. The options are assessed for vesting in equal instalments over three years.

The exercise price of options is set at a premium to the share price at the date of grant, in order to provide an incentive linked to the longer term performance of the Company relative to the market. The premium for options granted during the year was 25%.

Feature	Description
Opportunity/allocation	The total value of options granted is based on a percentage of fixed remuneration. This percentage is approximately 85% for the CEO, between 40% to 50% for senior executives and up to 40% for other employees. The number of options granted is determined by dividing the total value by the fair value per option determined by using the binomial method (which is derived from the Black-Scholes option pricing model but is considered more suitable for companies which do not pay dividends).
Performance hurdle	The performance hurdle is represented by the premium that must be achieved before options are in the money. In addition participants must be current employees at the time each tranche is assessed for vesting in order to receive the options.
Exercise price	In order to provide an incentive linked to the longer term performance of the Company, the exercise price of options is set at a premium to the share price at the start of the year, as represented by the volume weighted average price (VWAP) of the preceding month of December. Due to changes in the share price between this VWAP and the grant date, the actual premium may be greater or less than 25%.
Forfeiture and termination	Options lapse if vesting conditions are not met. Options are forfeited on cessation of employment prior to the vesting date unless the Board determines otherwise.

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director and other key management personnel of the Group for the year ended 31 December 2022 are as below:

	Short term				Post-employment		Options	
Year ended 31 December 2022	Base Salary $	Fees $	STI Awards[1] $	Other Benefits[2] $	Super-annuation $	Total Cash related $	Share-Based Payments[4] $	Performance related %
Non-executive Directors								
Richard Crookes (resigned 24 March 2022)	-	30,000	-	-	-	30,000	-	-
Paul Harris (appointed 25 March 2022)	-	92,258	-	-	-	92,258	120,900	57%
Pauline Carr	-	96,000	-	-	-	96,000	-	-
Roger Davey	-	78,000	-	-	-	78,000	-	-
Brian Jamieson	-	67,500	-	-	6,927	74,247	-	-
Executives								
Ignacio Salazar (CEO and MD)	677,532	-	338,805	4,143	-	1,020,480	168,987	43%
Javier Aguado (CFO)[3]	102,291	-	46,061	4,731	-	153,083	11,214	35%
	779,823	**363,758**	**384,866**	**8,874**	**6,927**	**1,544,248**	**301,101**	**37%**

[1] *The employees' STI relates to the accrued performance pay for services provided during 2022 which are normally paid at the beginning of the following year. The Board has determined that the FY22 STI award be paid after the funds to finance the construction of Muga are satisfactorily obtained.*

[2] *Benefits relate to health insurance allowances.*

[3] *Starting 1 January 2022 Mr. Aguado is deemed to be a Key Management Personnel in accordance with AASB 124.*

[4] *Share based payments are non-cash remuneration. The value is an estimate based on statistical calculations of the probability that the share price increases above the exercise price (which was calculated at a 25% premium at the grant date). In order to realise the potential value of any options awarded which are in the money, the option holder must first exercise the options by paying the exercise price in cash and can only realise any potential financial gain by selling the resultant shares. The sale of any shares must be in accordance with the Company's share trading policy.*

Details of remuneration for the year ended 31 December 2021 are shown below:

	Short term				Post-employment		Options	
Year ended 31 December 2021	**Base Salary $**	**Fees $**	**STI Awards[1] $**	**Other Benefits[2] $**	**Super-annuation $**	**Total Cash related $**	**Share-Based Payments $**	**Performance related %**
Non-executive Directors								
Richard Crookes	-	100,000	-	-	-	100,000	-	-
Pauline Carr	-	80,000	-	-	-	80,000	-	-
Roger Davey	-	64,101	-	-	-	64,101	-	-
Brian Jamieson	-	52,368	-	-	5,145	57,513	-	-
Isaac Querub (retired 27 September 2021)	-	35,000	-	-	-	35,000	-	-
Jim Dietz (retired 18 February 2021)	-	6,901	-	-	-	6,901	-	-
Executives								
Ignacio Salazar (CEO and MD)	518,356	-	317,562[4]	110,628[2]	-	946,546	86,239	39%
Mike Norris (CFO resigned 10 December 2021)	361,042	-	-	373,225[3]	-	734,267	41,778	5%
	879,398	**338,370**	**317,562**	**483,853**	**5,145**	**2,024,328**	**128,017**	**21%**

[1] *The employees' STI relates to the accrued performance pay for services provided during 2021, which are normally paid at the beginning of the following year. However, the STI for 2021 was paid out at the beginning of 2023 except for Mr. Salazar who has personally offered the Company to postpone payment of his 2021 STI award until after funds to finance the construction of Muga are satisfactorily obtained.*

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

[3] *Benefits relate to paid private accommodation and in-country residency allowance while employed and payment of statutory entitlements on cessation of employment.*

[4] *The STI accrued for the CEO has been restated since that disclosed in the prior year Remuneration Report to reflect the accrued performance pay for services provided and effectively earned during the year ended 31 December 2021. The prior year report presented the STI on the basis that service was required up until the milestone dates, rather than representing performance pay for services provided during the year. The impact of this in the Remuneration Report for 2021 is an additional $156,017. There has been no change in the quantum of the FY21 awarded to Mr. Salazar.*

Note: Management and staff of the company assumed a partial furlough scheme for five months in 2021 prior to obtaining the mining concessions in Muga. The Directors' fees were also reduced during this time to align with the temporary reductions to management's salaries.

Shareholdings of Directors and Other Key Management Personnel

No shares were granted as remuneration during the year ended 31 December 2022.

The number of shares in the Company held by Directors and other key management personnel of the Group, including their personally related parties, is set out below.

Year ended 31 December 2022	Balance at the start of the period	Share Purchase Plan acquisition	On-market acquisition	Other changes during the period[1]	Balance at the end of the period
Non-executive Directors					
Richard Crookes (resigned 24 March 2022)	74,987	-	-	(74,987)	-
Paul Harris (appointed 25 March 2022)	-	-	-	-	-
Pauline Carr	62,101	-	-	-	62,101
Roger Davey	9,251	-	-	-	9,251
Brian Jamieson	66,943	-	-	-	66,943
Executives					
Ignacio Salazar (CEO and MD)	126,700	-	-	-	126,700
Javier Aguado (CFO)	-	-	-	-	-

[1] *The other change during the period represents an adjustment to exclude shares held by Mr. Crookes as he was not a Director at the end of the period.*

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

Option Holdings of Directors and Other Key Management Personnel

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

Year ended 31 December 2022	Balance at the start of the period	Granted as compensation during the period	Expired during the period[1]	Exercised during the period[2]	Other changes during the period[3]	Balance at the end of the period	Exercisable	Not exercisable
Non-executive Directors								
Richard Crookes (resigned 24 March 2022)	2,000,000	-	-	(1,000,000)	(1,000,000)	-	-	-
Paul Harris (appointed 25 March 2022)	-	1,000,000	-	-	-	1,000,000	1,000,000	-
Pauline Carr	1,000,000	-	-	-	-	1,000,000	1,000,000	-
Roger Davey	1,000,000	-	-	-	-	1,000,000	1,000,000	-
Brian Jamieson	1,000,000	-	-	-	-	1,000,000	1,000,000	-
Executives								
Ignacio Salazar (CEO and MD)	2,561,735	2,209,318	-	-	-	4,771,053	2,838,204	1,932,849
Javier Aguado (CFO)	167,618	157,088	(24,532)	-	-	300,174	179,248	120,926

[1] *Options expired during the year were granted in June 2019 with an exercise price of $0.83.*

[2] *Options exercised during the year were granted in May 2019 with an exercise price of $0.81.*

[3] *Other changes during the period represent an adjustment to exclude options held by Mr. Crookes as he was not Director at the end of the period.*

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

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

Options granted under the Company's employee share option plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 20.

Transactions with Directors and Other Key Management Personnel

Transactions with Directors and other key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no transactions with key management personnel for the year ended 31 December 2022 other than those disclosed above.

Options Affecting Remuneration

The terms and conditions of options granted during the year ended 31 December 2022 affecting remuneration in the current or future reporting periods are as follows:

	Grant date	Number granted	Expiry date/ last exercise date	Fair value per option at grant date	Exercise price per option	Value of options at grant date[1]	Number of options vested	Value vested	Max value yet to vest
Non-executive Directors									
Paul Harris (appointed 25 March 2022)	26/05/22	1,000,000	30/06/25	$0.1209	$1.07	$120,900	1,000,000	$120,900	-
Executives									
Ignacio Salazar (CEO and MD)	26/05/22	736,440	31/12/25	$0.1157	$0.94	$85,206	736,440	$85,206	-
	26/05/22	736,439	31/12/26	$0.1677	$0.94	$123,501	-	$46,313	$77,188
	26/05/22	736,439	31/12/27	$0.2207	$0.94	$162,532	-	$37,468	$125,064
Javier Aguado (CFO)	15/08/22	52,363	31/12/25	$0.1249	$0.94	$6,540	52,363	$6,540	-
	15/08/22	52,363	31/12/26	$0.1846	$0.94	$9,666	-	$2,652	$7,014
	15/08/22	52,362	31/12/27	$0.2431	$0.94	$12,729	-	$2,021	$10,708
		3,366,406				**$521,074**	**1,788,803**	**$301,101**	**$219,974**

[1] *The value at grant date has been calculated in accordance with the models and assumptions as disclosed in note 20.*

If the unlisted options granted this year to the KMP are fully exercised, it would have the following cash effect to the Company:

	Options issued	Fair Value of Options	Cash received by Company if fully exercised
Paul Harris (appointed 25 March 2022)	1,000,000	120,900	1,070,000
Ignacio Salazar (CEO and MD)	2,209,318	371,239	2,076,759
Javier Aguado (CFO)	157,088	28,935	147,663
	3,366,406	**521,074**	**3,294,422**

KMP Employment Arrangements

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

Non-Executive Directors

On appointment to the Board, each Non-Executive Director enters into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board's policies and terms, including compensation, relevant to the Director. The period of appointment is in accordance with the Company's Constitution and the Corporations Act 2001, including the provisions of the Constitution which relate to the rotation of Directors.

Chief Executive Officer and Managing Director

Mr. Salazar is employed under an employment agreement which has no fixed term. The notice period is three months. Depending on the reason for a termination of his employment, Mr. Salazar may be entitled to severance benefits of up to nine months' fixed cash remuneration (based on an average of his previous annual fixed remuneration). Mr. Salazar's employment may also be terminated at any time without notice in circumstances of his misconduct or illness.

During the year ended 31 December 2022 Mr. Salazar's total fixed remuneration was €446,250 (A$677,532).

Chief Financial Officer

Mr. Aguado is employed under an employment agreement which has no fixed term. The notice period is two months. Depending on the reason for a termination of his employment, Mr. Aguado is entitled to the severance benefits set by Spanish law, as applicable.

During the year ended 31 December 2022 Mr. Aguado's total fixed remuneration was €67,425 (A$102,291).

Loans to Directors and Other Key Management Personnel

There were no loans to Directors or other key management personnel during the year ended 31 December 2022 (year ended 31 December 2021: nil).

Voting and Comments Made at the Company's May 2022 Annual General Meeting

Highfield Resources Limited received more than 98.05% of "yes" votes on its remuneration report for the financial year ended 31 December 2021. The Company did not receive any specific feedback at the AGM or during the current period on its remuneration practices.

Performance Measured by Loss Per Share and Share Price

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

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Loss per share (cents)	(1.58)	(1.96)	(7.40)	(2.28)	(1.28)
Share price (at period end)	$0.58	$0.90	$0.69	$0.68	$0.64
Share price High for the reporting period	$1.28	$0.91	$0.79	$1.01	$1.13
Share price Low for the reporting period	$0.57	$0.44	$0.26	$0.57	$0.48

End of Audited Remuneration Report

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

Paul Harris
Independent Non-Executive Chairman

Adelaide, Australia
30 March 2023

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	Note	31 December 2022 $	31 December 2021 $
Continuing operations			
Gain/(Loss) on foreign exchange		(136,452)	(275,670)
Listing and share registry expenses		(153,953)	(175.772)
Professional and consultants' fees	3	(947,856)	(990,191)
Director and employee costs		(2,391,652)	(3,277,015)
Share-based payments expense	20	(605,551)	(696,315)
Travel and accommodation		(171,743)	(1,139)
Donations		(21,379)	(24,269)
Depreciation	9	(18,507)	(28,070)
Other expenses	21	(1,375,327)	(1,188,206)
Interest (paid)/received	22	33,067	(42,932)
Loss before income tax		**(5,789,353)**	**(6,699,579)**
Income tax expense	5	-	-
Net loss for the period		**(5,789,353)**	**(6,699,579)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		830,372	(1,674,105)
Other comprehensive income/(loss) for the period net of tax		**830,372**	**(1,674,105)**
Total comprehensive loss for the period		**(4,958,981)**	**(8,373,684)**
Loss per share			
Basic and diluted loss per share (cents)	6	(1.58)	(1.96)

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

Consolidated Statement of Financial Position

as at 31 December 2022

	Note	31 December 2022 $	31 December 2021 $
Current Assets			
Cash and cash equivalents	7	19,446,084	22,241,425
Other receivables	8	15,932,428	256,384
Total Current Assets		**35,378,512**	**22,497,809**
Non-Current Assets			
Other receivables	8	1,224,574	553,700
Property, plant and equipment	9	4,783,362	60,499
Deferred exploration and evaluation expenditure	10	126,574,416	118,384,403
Total Non-Current Assets		**132,582,352**	**118,998,602**
Total Assets		**167,960,864**	**141,496,411**
Current Liabilities			
Trade and other payables	11	8,843,779	2,955,681
Short term bank debt	12	11,323,883	-
Total Current Liabilities		**20,167,662**	**2,955,681**
Non-Current Liabilities			
Provisions	13	198,843	-
Total Non-Current Liabilities		**198,843**	**-**
Total Liabilities		**20,238,132**	**2,955,681**
Net Assets		**147,722,732**	**138,540,730**
Equity			
Issued capital	14	203,613,937	190,014,905
Reserves	15	29,758,894	28,386,571
Accumulated losses	16	(85,650,099)	(79,860,746)
Total Equity		**147,722,732**	**138,540,730**

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

Year ended 31 December 2021	Issued capital $	Accumulated losses $	Share-based payments reserve $	Foreign exchange translation reserve $	Other reserves $	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	-	(6,699,579)	-	-	-	(6,699,579)
Other comprehensive loss - foreign currency translation	-	-	-	(1,674,105)	-	(1,674,105)
Total comprehensive loss for the period	**-**	**(6,699,579)**	**-**	**(1,674,105)**	**-**	**(8,373,684)**
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Issue of securities	18,111,500	-	-	-	-	18,111,500
Cost of issue	(750,000)	-	-	-	-	(750,000)
Share-based payment	-	-	696,315	-	-	696,315
Balance at 31 December 2021	**190,014,905**	**(79,860,746)**	**25,917,403**	**2,468,168**	**1,000**	**138,540,730**

Year ended 31 December 2022	Issued capital $	Accumulated losses $	Share-based payments reserve $	Foreign exchange translation reserve $	Other reserves $	Total $
Balance at 1 January 2022	**190,014,905**	**(79,860,746)**	**25,917,403**	**2,468,168**	**1,000**	**138,540,730**
Total comprehensive loss for the period						
Loss for the period	-	(5,789,353)	-	-	-	(5,789,353)
Other comprehensive gain - foreign currency translation	-	-	-	830,372	-	830,372
Total comprehensive loss for the period	**-**	**(5,789,353)**	**-**	**830,372**	**-**	**(4,958,981)**
Transactions with owners in their capacity as owners						
Conversion of options	810,000	-	-	-	-	810,000
Issue of securities	13,400,000	-	-	-	-	13,400,000
Exercised shares from share-based payment reserve	63,600	-	(63,600)	-	-	-
Cost of issue	(674,568)	-	-	-	-	(674,568)
Share-based payment	-	-	605,551	-	-	605,551
Balance at 31 December 2022	**203,613,937**	**(85,650,099)**	**26,459,354**	**3,298,540**	**1,000**	**147,722,732**

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Note	31 December 2022 $	31 December 2021 $
Cash flows from operating activities			
Payments to suppliers and employees		(5,930,779)	(5,411,685)
Interest (paid)/received		25,689	(35,703)
Other receipts including GST/VAT received		1,904,221	1,103,774
Net cash used in operating activities	**7**	**(4,000,869)**	**(4,343,614)**
Cash flows from investing activities			
Purchase of plant and equipment		(2,889,597)	(2,226)
Payments for exploration and evaluation expenditure		(9,256,046)	(10,699,099)
Net cash used in investing activities		**(12,145,643)**	**(10,701,325)**
Cash flows from financing activities			
Proceeds from issue of securities		13,400,000	18,111,500
Proceeds from conversion of options		810,000	
Payments for share issue costs		(737,000)	(825,000)
Net cash provided by financing activities		**13,473,000**	**17,286,500**
Net increase in cash and cash equivalents		2,673,512	2,241,561
Cash and cash equivalents at the beginning of the period		22,241,425	20,202,057
Effect of exchange rate fluctuations on cash		(121,829)	(202,193)
Cash and cash equivalents at the end of the period	**7**	**19,446,084**	**22,241,425**

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield Resources", "Highfield" or "the Company") for the year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 28 March 2023.

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

2. Summary of Significant Accounting Policies

a) Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. Highfield Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements have been prepared on a historical cost basis. The presentation currency is Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. In this respect, the execution of the principal credit facilities with a group of four experienced financial institutions for a total amount of €320.6 million demonstrates the Company is taking the necessary steps to ensure the availability of funds to move the Project forward. Credit drawdown is ultimately dependent upon raising and expending the equity gap to fully fund the Project. In addition, the recent equity raise carried out in December 2022 (A$13.4m) provides evidence of the ongoing support from shareholders in the Project's future and strengthens the solvency of the Company.

b) Compliance Statement

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

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") at 31 December 2022 and at 31 December 2021 in the comparative period.

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from inter-company transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered.

d) Foreign Currency Translation

i) Functional currency

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

ii) Transactions and balances

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

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

iii) Presentation currency

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

e) Segment Reporting

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

f) Exploration and Evaluation Expenditure

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

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
    - » 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
    - » exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

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

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

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

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

g) Property, Plant & Equipment

Plant and equipment, including mechanical, electrical and computer equipment as well as furniture, fixtures, and fittings, is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and bring them to the location and condition necessary for operation.

Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over either its expected useful life of 3 to 10 years for furniture, computers and equipment, or the life of the mine for plant and equipment.

h) Income Tax

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

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

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

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

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

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

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

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

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

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

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

i) Other Taxes

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

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

j) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

k) Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

l) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

The Company has obligations to dismantle and remove certain items of property, plant, and equipment and to restore and rehabilitate the land on which they are situated.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at reporting date, discounted to present value using an appropriate discount rate. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset within mine properties and amortised accordingly.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, costs are charged to the profit or loss in the period in which the work is undertaken.

At each reporting date the rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, changes to the estimated lives of operations, new regulatory requirements, and revisions to discount rates. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

n) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

o) Revenue

The Company currently has no contracts with customers.

Interest income is recorded using the effective interest method.

p) Earnings Per Share

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

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

- costs of servicing equity (other than dividends) and preference share dividends;

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

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

q) Share-based Payment Transactions

i) Equity settled transactions:

The Company provides benefits to individuals acting as, and providing services similar to, employees (including Directors) of the Company in the form of share-based payment transactions, whereby individuals render services in exchange for shares or rights over shares ("equity settled transactions").

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to employees (including Directors) and individuals providing services similar to those provided by an employee. The cost of these equity settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the binomial method (which is derived from the Black-Scholes option pricing model but is considered more suitable for companies which do not pay dividends) taking into account the terms and conditions upon which the instruments were granted, as discussed in note 20. The expected price volatility is based on the historic volatility of the Company's share price on the ASX.

The cost of equity settled transactions provided to employees (including Directors) by issue of shares is measured by reference to the fair value of services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the shares issued.

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

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

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

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the

Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

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

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

ii) Cash-settled transactions:

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

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

r) Critical Accounting Estimates and Judgements

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

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

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely either from future development or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Property, Plant and Equipment

The Group's Property, Plant and Equipment is assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

s) New and Amended Standards Adopted by the Group

New standards and amendments applied for the first time for the annual reporting period commencing 1 January 2022 did not have any impact on the amounts recognised in the current or prior periods and are not expected to significantly affect future periods.

t) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Expenses

	31 December 2022 $	31 December 2021 $
Professional and consultants' fees		
Corporate advisory fees	(391,144)	(206,517)
Legal fees	(76,865)	(24,033)
Financial advisory fees	(373,568)	(680,303)
Other	(106,279)	(79,338)
	(947,856)	**(990,191)**

4. Auditor's Remuneration

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

	31 December 2022 $	31 December 2021 $
Amounts received or due and receivable by the parent auditor for:		
- an audit or review of the financial report	54,754	53,550
- other services	-	-

Remuneration of other related entities of "PwC"

Amounts received or due and receivable by the subsidiary auditor for:		
- an audit or review of the financial report	27,324	29,028
	82,078	**82,578**

5. Income Tax

a) Income tax expense

	31 December 2022 $	31 December 2021 $
Major component of tax expense for the period:		
Current tax	-	-
Deferred tax	-	-
	-	**-**

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

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

	31 December 2022 $	31 December 2021 $
Loss from continuing operations before income tax expense	(5,789,353)	(6,699,579)
Tax calculated at domestic tax rates applicable to profit/(losses) in the respective countries (Spain 28.0%, Australia 30.0%)	(1,671,969)	(1,927,176)
Non-deductible expenses	37,171	7,475
Net income tax benefit not brought to account	1,634,798	1,919,701
Income tax expense	**-**	**-**

c) Deferred tax

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

	31 December 2022 $	31 December 2021 $
Net deferred tax asset not recognised	**17,737,983**	**16,125,105**

d) Unused tax losses

	31 December 2022 $	31 December 2021 $
Unused tax losses	**43,504,420**	**38,592,124**

The benefit for tax losses will only be obtained if:

i) the Company delivers future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and there are

iii) no changes in tax legislation which adversely affect the Company in realising the benefit from the deductions for the losses.

6. Loss Per Share

	31 December 2022 $	31 December 2021 $
Loss used in calculating basic and diluted EPS	(5,789,353)	(6,699,579)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share	365,436,339	342,533,288
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	365,436,339	342,533,288
Basic and diluted loss per share (cents)	**(1.58)**	**(1.96)**

The 25,013,617 options outstanding at 31 December 2022 (31 December 2021: 24,962,030) are deemed non-dilutive in accordance with AASB 2 as they reduce the loss per share. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between 31 December 2022 and the date of completion of these financial statements.

7. Cash and Cash Equivalents

	31 December 2022 $	31 December 2021 $
Reconciliation of cash		
Cash at bank	19,446,084	22,241,425
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(5,789,353)	(6,699,579)
Non-cash and non-operating items in operating loss after tax:		
Share-based payments	605,551	696,315
Net loss/(gain) on foreign exchange	136,452	275,670
Depreciation	18,507	28,070
Accrued interests not paid	(7,378)	7,229
Change in assets and liabilities		
(Increase)/Decrease in trade and other receivables	490,382	358,999
(Decrease)/Increase in trade and other payables	544,970	989,682
Net cash used in operating activities	**(4,000,869)**	**(4,343,614)**

8. Other Receivables

	31 December 2022 $	31 December 2021 $
Current		
GST receivable	106,588	72,758
VAT receivable	151,730	159,806
Deposits	1,025	23,820
Prepaid expenses	15,673,085	-
	15,932,428	**256,384**
Non-current		
Guarantees	1,224,574	553,700
	1,224,574	**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, mainly the restoration deposit handed over to the relevant Administrations to ensure the cost of dismantling and removing the mine gate construction and rehabilitate the land on which they are situated.

Prepaid expenses reflect the transaction costs directly attributable to the formalisation of the Project financing for Muga referred to note 2 a) above, to be included as part of amortised cost of debt facility when drawn down. The breakdown of these prepaid expenses is as follows:

	31 December 2022 $	31 December 2021 $
Prepaid expenses		
Banks' upfront fees	11,320,266	-
Legal fees	915,893	-
Financial adviser success fees	2,896,237	-
Due diligence costs	540,689	-
	15,673,085	**-**

9. Property, Plant and Equipment

	31 December 2022 $	31 December 2021 $
Cost	5,396,519	651,578
Accumulated depreciation and impairment	(613,157)	(591,079)
Net carrying amount	**4,783,362**	**60,499**
Movements in Property, Plant and Equipment		
Opening balance	60,499	89,857
Additions	4,768,403	-
Net exchange differences on translation	(27,033)	(1,288)
Depreciation charge for the period	(18,507)	(28,070)
Closing balance	**4,783,362**	**60,499**

Additions to Property, Plant and Equipment represent the construction works carried out during the second half of the year in the mine gate area.

10. Deferred Exploration and Evaluation Expenditure

	31 December 2022 $	31 December 2021 $
Exploration and Evaluation phase - at cost		
Opening balance	118,384,403	112,296,472
Exploration and evaluation expenditure incurred during the period	7,679,672	8,018,643
Net exchange differences on translation	510,341	(1,930,712)
Closing balance	**126,574,416**	**118,384,403**

Capitalised Exploration and Evaluation Expenditure exclusively refers to the Muga-Vipasca Project. The Company has capitalised these costs on the basis that it is expected to be recouped through future successful development (or alternatively sale) of the respective mining areas.

No impairment on these capitalised assets was recorded as the Company has concluded that there are no indications of impairment and that the Project's combined carrying value is appropriately covered by the current estimated NPV of the Project.

11. Trade and Other Payables

	31 December 2022 $	31 December 2021 $
Trade payables	2,519,996	1,440,357
Other payables	11,976	27,152
Accruals	6,183,433	1,488,172
	8,715,405	**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.

12. Short Term Bank Debt

	31 December 2022 $	31 December 2021 $
Short Term Bank Debt	11,323,884	-
	11,323,884	**-**

Short-Term Bank Debt refers to the fees payable to the banks that participate in the Project financing for Muga. Upon execution of the Financial Agreement on 22 December 2022 front-end fees, amounting up to 2.25% on the total amount of the Facility and the COF were payable to the Facility Agent within 90 days of Signing Date. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

13. Non-Current Liabilities

	31 December 2022 $	31 December 2021 $
Rehabilitation	198,843	-
	198,843	**-**

The Company has a legal obligation to dismantle and remove all the installations it constructs on the mining area and to restore and rehabilitate the land on which they are situated. A provision has therefore been established which reflects the estimated rehabilitation costs based on the site works undertaken as at 31 December 2022. The rehabilitation provision represents the best estimate of the expenditure required to meet this obligation when the mine ceases to operate. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset and amortised accordingly. At each reporting date the rehabilitation liability is to be reviewed and adjusted to reflect the current best estimate. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised in a consistent way.

14. Issued Capital

a) Issued and paid-up capital

	31 December 2022 $	31 December 2021 $
Issued and fully paid	203,613,937	190,014,905

b) Movements in ordinary shares on issue

	31 December 2022		31 December 2021	
	Number of shares	$	Number of shares	$
Opening balance	364,429,887	190,014,905	329,600,171	172,653,405
Shares issued upon conversion of unlisted options[1]	1,000,000	810,000	-	-
Shares issued[1]	21,612,904	13,400,000	34,829,716	18,111,500
Employee share options exercised		63,600		
Transaction costs on share issue	-	(674,568)	-	(750,000)
	387,042,791	**203,613,937**	**364,429,887**	**190,014,905**

[1] **December 2022**

- 21,612,904 ordinary shares were issued during the year ended 31 December 2022 via an institutional placement (A$13.4m) carried out in December 2022.
- 1,000,000 shares were issued upon conversion of unlisted options exercisable at $0.81, expiring on 30 June 2023.

[1] **December 2021**

- 34,829,716 ordinary shares were issued during the year ended 31 December 2021 via a single-tranche placement (A$15m) carried out in August 2021 and a subsequent Share Purchase Plan in September (A$3m) that was offered to all eligible retail shareholders.

c) Ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

d) Capital risk management

The Company's capital comprises share capital and reserves less accumulated losses amounting to a net equity of $147,722,732 at 31 December 2022. The Company manages its capital to ensure its ability to continue as a going concern and ultimately to optimise returns to its shareholders. The Company was ungeared at period end and not subject to any externally imposed capital requirements. Refer to note 19 for further information on the Company's financial risk management policies.

15. Reserves

	31 December 2022 $	31 December 2021 $
Share-based payments reserve	26,459,354	25,917,403
Foreign exchange translation reserve	3,298,283	2,468,168
Other reserves	1,000	1,000
	29,758,894	**28,386,571**
Movements in reserves		
Share-based payments reserve		
Opening balance	25,917,403	25,221,088
Share-based payments expense	605,551	696,315
Options exercised	(63,600)	-
Closing balance	**26,459,354**	**25,917,403**

The share-based payment reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their goods and services. Refer to note 20 for further details of the securities issued during the year ended 31 December 2022.

Foreign exchange translation reserve		
Opening balance	2,468,168	4,142,273
Foreign exchange translation difference	830,372	(1,674,105)
Closing balance	**3,298,540**	**2,468,168**

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

Other reserves		
Opening balance	1,000	1,000
Issue of unlisted options	-	-
Closing balance	**1,000**	**1,000**

Other reserves is used to record the amount received on the issue of unlisted options.

16. Accumulated Losses

	31 December 2022 $	31 December 2021 $
Movements in accumulated losses were as follows		
Opening balance	(79,860,746)	(73,161,167)
Loss for the period	(5,789,353)	(6,699,579)
Closing balance	**(85,650,099)**	**(79,860,746)**

17. Directors and Other Key Management Personnel Disclosures

Remuneration of Directors and Other Key Management Personnel

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

	31 December 2022 $	31 December 2021 $
Short term employee benefits[1]	1,537,321	2,019,183
Share-based payments	301,101	128,017
Post-employment	6,927	5,145
Total	**1,845,349**	**2,152,345**

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

[1]The comparative short-term employee benefits disclosure has been restated to be consistent with the amount reflected in the financial statements.

18. Related Party Disclosures

a) Key management personnel

Please refer to note 17 Directors and Other Key Management Personnel Disclosures.

b) Subsidiaries

The consolidated financial statements include the financial statements of Highfield Resources Limited and the subsidiaries listed in the following table:

		Equity Holding	
Name of Entity	Country of Incorporation	31 December 2022	31 December 2021
KCL Resources Limited	Australia	100%	100%
Geoalcali SLU	Spain	100%	100%

19. Financial Risk Management

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

a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and where appropriate investing excess funds in highly liquid short-term investments. At 31 December 2022, the Company has sufficient liquid assets to meet its financial obligations. The responsibility for liquidity risk management rests with the Board of Directors.

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

Maturity analysis for financial liabilities

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

b) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to cash and cash equivalents with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables, security deposits and payables are non-interest bearing.

At 31 December 2022, the variable interest rate exposure of the Group was:

	31 December 2022 $	31 December 2021 $
Interest bearing financial instrument		
Cash at bank or at hand	19,446,084	22,241,425

The Company holds substantially all of its cash and cash equivalents in Euros, being the primary currency in which it expects to make expenditure for the development of the Muga Mine. In the year ended 31 December 2022, $33,067 was earned due to the positive change in the interest rate values. In contrast, in 2021 no interest was earned and $42,932 was charged on Euro balances, reflecting the fact that interest rates on Euro balances were negative.

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

The Company's interest rate sensitivity is determined by the amount of cash it holds in both Euros and Australian Dollars. The Australian dollar interest rate is currently positive at 1.15%.

A sensitivity of 75 basis points has been selected as this is considered reasonable given the current level of both short term and long-term interest rates. A 0.75% movement in interest rates at the reporting date would have increased (decreased) profit and loss by the amounts shown below based on the average amount of interest-bearing financial instruments held. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis has been performed on the same basis for 2021.

	Effect on Post Tax Loss ($) (Increase)/decrease		Effect on Equity incl. accumulated losses ($) Increase/(decrease)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Increase 75 basis points	145,846	166,811	145,846	166,811
Decrease 75 basis points	(145,846)	(166,811)	(145,846)	(166,811)

c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's maximum credit exposure is the carrying amounts in the statement of financial position. The Company holds financial instruments with credit worthy third parties. At 31 December 2022, 99.9% of the Company's cash and cash equivalents were held in financial institutions with a rating from Standard & Poors of A - or above (long term). The Company had no past due or impaired debtors as at 31 December 2022.

d) Foreign Currency Risk

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

	Liabilities ($)		Assets	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Euro	19,871,361	2,667,090	2,910,931	5,277,780
US dollars	-	-	-	13,448
GB pounds	-	65,219	-	-
Total	**19,871,361**	**2,732,309**	**2,910,931**	**5,291,228**

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

Foreign currency sensitivity analysis

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

	Euro Movement	
	Increase ($)	Decrease ($)
31 December 2022		
Profit or loss	-	-
Translation Reserve	(1,884,493)	1,553,526
31 December 2021		
Profit or loss	-	-
Translation Reserve	284,323	(232,630)

e) Fair Value

The carrying amounts of current receivables and current payables are considered to be a reasonable approximation of their fair value. The Company did not hold any derivative instruments measured at fair value at 31 December 2022 or 31 December 2021.

20. Share-Based Payments

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

	31 December 2022 $	31 December 2021 $
Options granted during the period	409,286	117,199
Options granted in prior periods	196,265	579,116
	605,551	**696,315**

The Company operates an equity incentive plan known as 'Highfield Resources Limited Employee Long Term Incentive Plan' ("ELTIP"). Subject to the attainment of 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 employees. The fair value at grant date of options granted during the period was determined using the binomial method, as described in note 2(q), taking into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

The table below summarises options granted during the year ended 31 December 2022:

Grant Date	Expiry date	Exercise price	Number at start of the period	Granted during the period	Exercised during the period	Cancelled during the period	Number at end of the period	Exercisable at end of the period
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	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	-
15/08/2022	31/12/2025	$0.94	-	815,334[5]	-	-	815,334	815,334
15/08/2022	31/12/2026	$0.94	-	815,332[6]	-	-	815,332	
15/08/2022	31/12/2027	$0.94	-	815,323[7]	-	-	815,332	-
				5,655,307	**-**	**-**	**5,655,307**	**2,551,774**

[1] Options granted to the new Non-Executive Chairman appointed at the Company´s AGM on 25 March 2022. There are no service vesting or performance vesting conditions in respect of these options.

[2] Options granted to the Chief Executive Officer. The options vested on satisfaction of the recipient's continued employment vesting condition at 31 December 2022.

[3] Options granted to the Chief Executive Officer. 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. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2024.

[5] Options granted to the Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2022 or meeting the good leaver requirement as determined by the Board.

[6] Options granted to the Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2023 or meeting the good leaver requirement as determined by the Board.

[7] Options granted to the Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2024 or meeting the good leaver requirement as determined by the Board.

The model inputs for options granted during the year ended 31 December 2022 included:

a) options were granted for no consideration;

b) expected lives of the options range from 3.6 to 5.6 years;

c) share price at grant date of $0.90 (26 May 2022) and $0.95 (15 August 2022);

d) expected volatility at 45%;

e) expected dividend yield of Nil; and

f) a risk free interest rate from 2.89% to 3.08%.

The table below summarises options granted during the year ended 31 December 2021:

Grant Date	Expiry date	Exercise price	Number at start of the period	Granted during the period	Exercised during the period	Cancelled during the period	Number at end of the period	Exercisable at end of the period
20/09/2021	31/12/2024	$0.865	-	1.356,588[1]	-	-	1,356,588	1,356,588
20/09/2021	31/12/2024	$0.865	-	591,803[2]	-	-	591,803	591,803
20/09/2021	31/12/2025	$0.865	-	1,168,984[3]	-	-	1,168,984	-
20/09/2021	31/12/2025	$0.865	-	508,961[4]	-	-	508,961	-
20/09/2021	31/12/2026	$0.865	-	1,054,393[5]	-	-	1,054,393	-
20/09/2021	31/12/2026	$0.865	-	459,971[6]	-	-	459,971	-
				5,141,700	**-**	**-**	**5,141,700**	**1,948,391**

[1] Options granted to the then Chief Financial Officer and other employees. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2021 or meeting the good leaver requirement as determined by the Board.

[2] Options granted to the Chief Executive Officer. The options vested on satisfaction of the recipient's continued employment vesting condition at 31 December 2021.

[3] Options granted to the then Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2022 or meeting the good leaver requirement as determined by the Board.

[4] Options granted to the Chief Executive Officer. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2022.

[5] Options granted to the then Chief Financial Officer and other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2023 or meeting the good leaver requirement as determined by the Board.

[6] Options granted to the Chief Executive Officer. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2023.

The model inputs for options granted during the year ended 31 December 2021 included:

a) options were granted for no consideration;

b) expected lives of the options range from 3.2 to 5.2 years;

c) share price at grant date of $0.49;

d) expected volatility from 62%;

e) expected dividend yield of Nil; and

f) a risk free interest rate from 0.19%.

As at the date of this report there were 25,013,617 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price $	Expiry Date
6,000,000	$0.81	30 June 2023
1,818,171	$0.83	31 December 2023
1,470,965	$0.81	31 December 2023
333,333	$0.47	31 December 2023
1,622,191	$0.83	31 December 2024
1,301,604	$0.81	31 December 2024
333,333	$0.47	31 December 2024
1,859,486	$0.865	31 December 2024
1,182,194	$0.81	31 December 2025
333,334	$0.47	31 December 2025
1,602,335	$0.865	31 December 2025
1,514,364	$0.865	31 December 2026
1,000,000	$1.07	30 June 2025
1,538,774	$0.94	31 December 2025
1,551,771	$0.94	31 December 2026
1,551,762	$0.94	31 December 2027
25,013,617		

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

The following options were issued during the financial year:

- 1,000,000 options with an exercise price of $1.07, expiring on 30 June 2025.
- 1,551,774 options with an exercise price of $0.94, expiring on 31 December 2025.
- 1,551,771 options with an exercise price of $0.94, expiring on 31 December 2026.
- 1,551,762 options with an exercise price of $0.94, expiring on 31 December 2027.

The following options lapsed during the financial year:

- 1,000,000 options with an exercise price of $0.83, expiring on 30 June 2022.
- 3,221,170 options with an exercise price of $0.83, expiring on 31 December 2022.

The following options were cancelled during the financial year:

- 75,890 options with an exercise price of $0.81, expiring on 31 December 2023.
- 67,153 options with an exercise price of $0.81, expiring on 31 December 2024.
- 88,905 options with an exercise price of $0.865, expiring on 31 December 2024.
- 60,992 options with an exercise price of $0.81, expiring on 31 December 2025.
- 76,610 options with an exercise price of $0.865, expiring on 31 December 2025.
- 13,000 options with an exercise price of $0.94, expiring on 31 December 2025.

The movement of the options during the year was as follows:

	31 December 2022		31 December 2021	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Opening balance	$0.855	24,962,030	$0.91	22,820,330
Granted	$0.963	5,655,307	$0.865	5,141,700
Exercised	$0.81	(1,000,000)	-	-
Cancelled	$0.84	(382,550)	-	-
Lapsed	$0.83	(4,221,170)	$1.29	(3,000,000)
	$0.886	**25,013,617**	**$0.855**	**24,962,030**
Vested and exercisable at year end	$0.83	20,395,720	$0.81	20,192,201

21. Other Expenses

	31 December 2022 $	31 December 2021 $
Advertising and Promotion	74,363	68,810
Computer and Software Expenses	152,823	59,156
Subscriptions and Memberships	66,160	59,271
Investor Relations	114,046	145,646
Projects costs	37,715	9,012
Insurances	655,781	650,473
Rents	205,465	179,851
Other administration expenses	68,974	15,987
	1,375,327	**1,188,206**

The cost of the unlisted options issued to investors that participated in the interim raise carried out in December 2022 has been expensed as per AASB 132.

22. Geographic Segment Analysis

a) Net interest (paid)/received

	31 December 2022 $	31 December 2021 $
Australia	33,067	-
Spain	-	(42,932)
	33,067	**(42,932)**

b) Non-current Assets

	31 December 2022 $	31 December 2021 $
Australia	-	-
Spain	132,582,352	118,998,602
	132,582,352	**118,998,602**

23. Significant Events after the Reporting Period

As reported on 29 March 2023 (refer ASX release 29 March 2023, "Construction Licence Granted for Muga Mine Process Plant"), the townhall of Sangüesa issued the licence for the construction of the process plant. With this permit the Company has the required permits to begin the full-scale construction of Muga comprising the civil works, the process plant and the ramps in the second half of 2023.

24. Contingent Assets and Liabilities

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

25. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2022 or the period since the end of the twelve months financial period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the year ended 31 December 2022.

26. Geoalcali Foundation

As part of its Community Engagement Program, the Company established a not-for-profit Spanish foundation called the Geoalcali Foundation ("Foundation"). The Foundation is supported exclusively by Geoalcali and since its inauguration in September 2014 has been involved in over 180 community projects.

27. Commitments

At 31 December 2022, the Group had entered into a number of contracts as part of the development of the Muga Potash Project located in Spain. The expected payments in relation to these contracts which were not required to be recognised as liabilities at 31 December 2022 amounted to approximately $99.9m. Of this amount approximately $85.8m will only become commitments once Notices to Proceed are issued to equipment suppliers, which will only occur once permitting and financing has advanced to the appropriate stage. 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 $2.2m.

28. Parent Entity Information

The following information relates to the parent entity, Highfield Resources Limited, at 31 December 2022 and for the year then ended. The information presented here has been prepared using consistent accounting policies with those presented in note 2.

	31 December 2022 $	31 December 2021 $
Current assets	19,321,819	21,853,406
Total assets	147,692,478	138,651,058
Current liabilities	(167,927)	(223,371)
Total liabilities	(167,927)	(223,371)
Net assets	**147,524,551**	**138,427,687**
Issued capital	203,613,937	190,014,906
Reserves	26,460,354	25,918,403
Accumulated losses	(82,549,740)	(77,505,622)
Total Equity	**147,524,551**	**138,427,687**
Loss of the parent entity	(5,044,119)	(7,868,386)
Other comprehensive income for the period	-	-
Total comprehensive loss of the parent entity	**(5,044,119)**	**(7,868,386)**

Directors' Declaration

In accordance with a resolution of the Directors of Highfield Resources Limited, I state that:

In the opinion of the Directors:

a) the financial statements and notes of Highfield Resources Limited for the year ended 31 December 2022 are in accordance with the Corporations Act 2001, including:

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

  iii) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial year ended on that date, and

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

c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

This declaration has been made after receiving the declaration by the Chief Executive Officer and the Chief Financial Officer required to be made in accordance with sections of 295A of the Corporations Act 2001 for the year ended 31 December 2022.

On behalf of the Board

Paul Harris
Independent Non-Executive Chairman

Adelaide, Australia
30 March 2023

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Highfield Resources Limited for the year ended 31 December 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 audit; and

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

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

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
30 March 2023

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Independent Auditor's Report

Independent auditor's report

To the members of Highfield Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

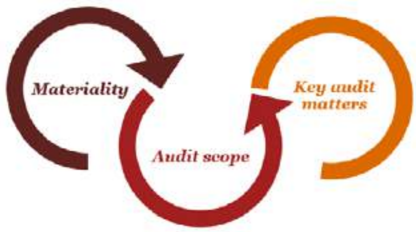
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the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

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	*Audit scope*
• For the purpose of our audit we used overall Group materiality of $1.5 million which represents approximately 1% of the Group's total assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group total assets because, in our view, it is the benchmark against which the performance of the Group is most commonly measured given it is in the exploration and evaluation phase and has no production or sales. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group audit is planned and led by our Group audit team in Australia. Given the Group's principal operating entity Geoalcali SLU and its management and financial reporting function are based in Pamplona in Spain, we engaged component auditors in Spain to perform audit procedures over the financial information of that entity. Audit procedures were performed by the Group audit team over the consolidation process and balances recorded at a Group level. The audit work carried out in Spain, together with the additional procedures performed at Group level, in our view provided sufficient evidence to express an opinion on the Group financial report as a whole. • We ensured the audit teams, both in Australia and Spain, had the appropriate skills and competencies.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Business Risk and Compliance Committee.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of exploration and evaluation assets *(Refer to Note 10) $126,645,022* The Group accounts for exploration and evaluation activities in accordance with the policy in Note 2(f) of the financial report. Judgement is required by the Group to determine whether there were indicators of impairment of the exploration and evaluation assets, due to the need to make estimates about future events and circumstances, such as whether the resources may be economically viable to develop in the future. The carrying value of exploration and evaluation assets was considered a key audit matter given the financial significance of the balance and the significant judgements required by the Group in determining the carrying amount as outlined above.	We performed the following procedures amongst others: • Evaluated the Group's assessment that there had been no indicators of impairment on areas capitalised at 31 December 2022 during the period with reference to the requirements of Australian Accounting Standards. • Considered the latest available information regarding the projects through inquiries of management and the directors, and inspection of press releases. • Inquired of management and the directors as to whether there had been any changes to, and obtained evidence to support, the Group's right of tenure to the projects. This included considering the status of licences, to assess whether the Group retained right of tenure. Where a licence was pending, we assessed the Group's expectation of renewal of the licence. • Tested a sample of current year capitalised expenditure to source documents and considered whether they had been accounted for in accordance with the Group's accounting policy and Australian Accounting Standards. • Evaluated the reasonableness of the disclosures against the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 23 to 34 of the directors' report for the year ended 31 December 2022.

In our opinion, the remuneration report of Highfield Resources Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Julian McCarthy
Partner

Adelaide
30 March 2023

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 7 March 2023.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	323	154,239
1,001 - 5,000	734	2,177,894
5,001 - 10,000	543	4,420,868
10,001 - 100,000	1,121	40,223,440
100,001- and over	323	340,066,350
TOTAL	**3,044**	**387,042,791**

There were no holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

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

Name	Number of shares	%
EMR CAPITAL INVESTMENTS PTE LTD	104,038,875	26.9
WWB INVESTMENTS PTY LTD	35,040,000	9.1
BCI MINERALS LIMITED	26,349,498	6.8
BNP PARIBAS NOMS PTY LTD	16,692,720	4.3
MR. WARREN WILLIAM BROWN	14,559,260	3.8
DEREK CARTER & CARLSA CARTER	9,261,827	2.4
HSBC CUSTODY NOMINEES	5,147,105	1.3
CITICORP NOMINEES PTY LTD	4,997,470	1.3
L1 CAPITAL PTY LTD	4,838,710	1.3
MR. CRAIG PETER BALL	3,896,134	1.0
MR. DANIEL EDDINGTON	3,792,000	1.0
PETER DAVID FERGUSON PTY LTD	3,032,023	0.8
CELTIC CAPITAL PTE LTD	3,000,000	0.8
BRING ON RETIREMENT LTD	2,995,500	0.8
JONERIC PTY LTD	2,701,076	0.7
ELEMENT AU SMSF PTY LTD	2,685,613	0.7
MR. MICHAEL ANDREW WHITTING	2,645,425	0.7
MR. BENJAMIN JOHN HAAN	2,490,000	0.6
MR. ANDREW BYRNES DOBLE	2,445,000	0.6
CARINYA INVESTMENTS	2,227,692	0.6
	252,835,928	**61.4**

Substantial Shareholders

The following table shows holdings of five per cent or more of voting rights in Highfield Resources Limited's shares as notified to the Company under the Australian Corporations Act 2001, Section 671B as at 7 March 2023.

Title of class	Registered holder of securities	Identity of person or Group	Date of last notice	Number owned	Percentage of total voting rights[2]
Ordinary Shares	EMR Capital Investment Pte Ltd	EMR Capital Investment Pte Ltd[1]	15/05/2015	104,038,875	26.88%
Ordinary Shares	Various holders	WWB Investments Pty Ltd[1]	08/11/2017	35,040,000	9.05%
Ordinary Shares	BCI Minerals Ltd	Seven Group Holdings (SGH) Ltd[1]	18/11/2021	26,349,498	6.81%

[1] Being the Group listed and its associated entities.

[2] The percentages quoted are based on the total voting rights conferred by ordinary shares in the Company as at 7 March 2023 of 387,042,791.

Substantial Unlisted Options

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at $0.47 on or before 31 December 2023	333,333	Ignacio Salazar 333,333 options;
Options over ordinary shares exercisable at $0.47 on or before 31 December 2024	333,333	Ignacio Salazar 333,333 options;
Options over ordinary shares exercisable at $0.47 on or before 31 December 2025	333,334	Ignacio Salazar 333,334 options;
Options over ordinary shares exercisable at $0.865 on or before 31 December 2024	1,948,391	Ignacio Salazar 591,803 options;
Options over ordinary shares exercisable at $0.865 on or before 31 December 2025	1,678,945	Ignacio Salazar 509,961 options;
Options over ordinary shares exercisable at $0.865 on or before 31 December 2026	1,514,364	Ignacio Salazar 459,971 options;
Options over ordinary shares exercisable at $1.07 on or before 30 June 2025	1,000,000	Paul Harris 1,000,000 options;
Options over ordinary shares exercisable at $0.94 on or before 31 December 2025	1,551,774	Ignacio Salazar 736,440 options;
Options over ordinary shares exercisable at $0.94 on or before 31 December 2026	1,551,774	Ignacio Salazar 736,439 options;
Options over ordinary shares exercisable at $0.94 on or before 31 December 2027	1,551,762	Ignacio Salazar 736,439 options;

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

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

Use of Proceeds

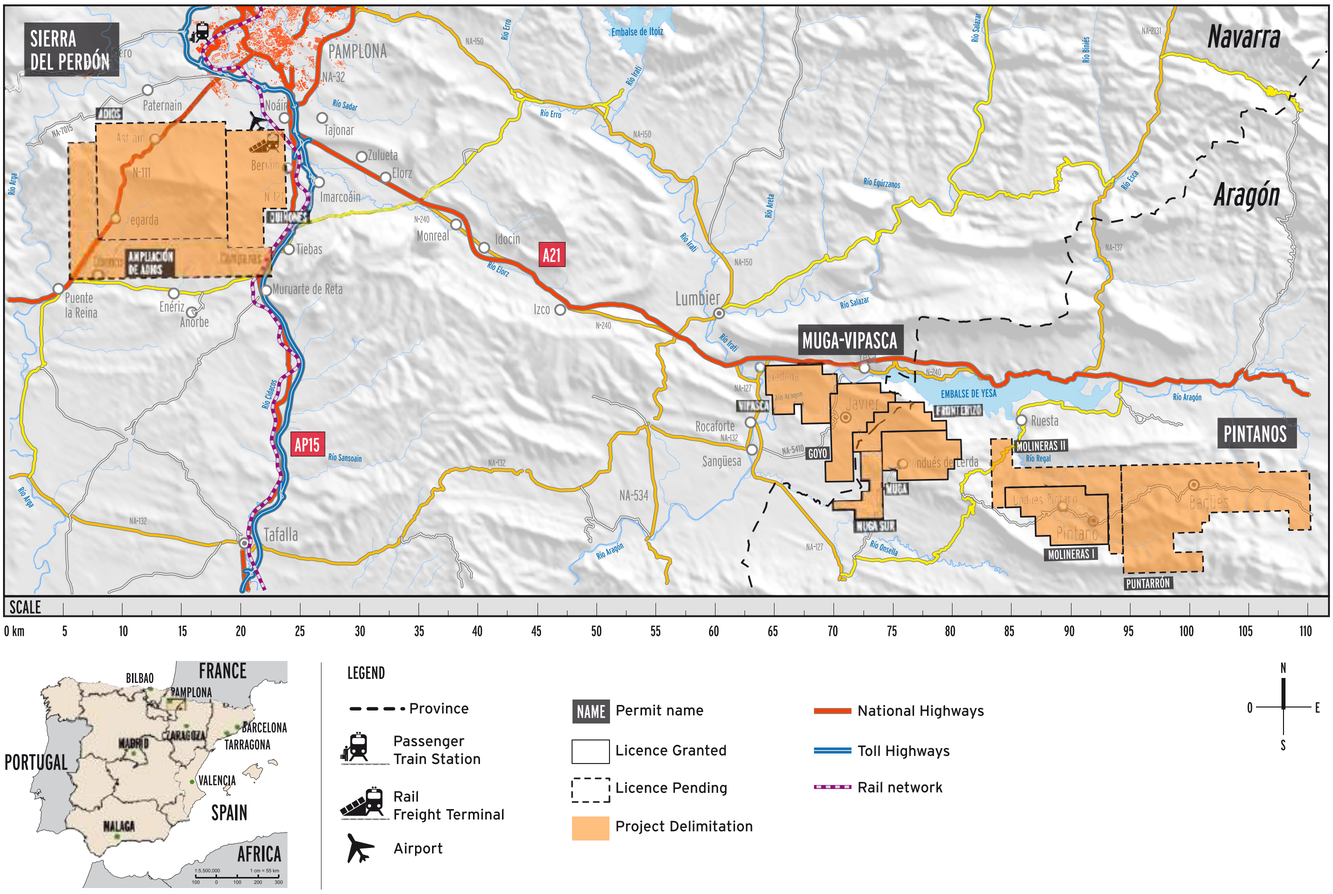
In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the year ended 31 December 2022.

Schedule of Tenements

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

Project	Region	Permit Name	Permit Type	Applied	Granted	Ref#	Area Km^2	Holder	Structure
Investigation									
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	Application in process	35760	22.88	Geoalcali SLU	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	Application in process	35770	59.40	Geoalcali SLU	100%
Sierra del Perdón	Navarra	Ampliación de Adiós	Investigation	26/10/2012	Application in process	35880	40.90	Geoalcali SLU	100%
							123.18		
Muga-Vipasca	Navarra	Muga Sur	Investigation	25/09/2014	30/06/2020	3524	7.28	Geoalcali, S.L.U.	100%
Muga-Vipasca	Navarra	Vipasca (area under concession progress)	Investigation	06/11/2013	11/12/2014	35900	14.10	Geoalcali SLU	100%
							21.38		
Pintanos	Aragón	Molineras 1	Investigation	20/11/2012	06/03/2014	3495/10	18.20	Geoalcali SLU	100%
Pintanos	Aragón	Molineras 2	Investigation	19/02/2013	Application in process	3495/20	16.80	Geoalcali SLU	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Application in process	3510	30.24	Geoalcali SLU	100%
							65.24		
						Total	**209.80**		
Concession									
Muga	Navarra	Goyo	Concession	19/07/2011	01/07/2021	35780	15.30	Geoalcali SLU	100%
Muga	Aragón	Fronterizo	Concession	21/06/2012	01/07/2021	Z-3502/N-3585	9.00	Geoalcali SLU	100%
Muga	Aragón	Muga	Concession	29/05/2013	01/07/2021	3510	14.40	Geoalcali SLU	100%
							38.70		
						Total	**38.70**		

Project locations are shown in the following map*.



The potential quantity and grade of the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Important Information and Disclaimers

Forward Looking Statements

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

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

Competent Person Statement for Muga-Vipasca Potash Project

The Review of Operations contained within this annual report was prepared by Mr. Ignacio Salazar, CEO and Managing Director of Highfield Resources. The information in this report that relates to Ore Reserves, and reported with an effective date 31 October 2021, is based on information prepared by Dr. Mike Armitage. Dr. Mike Armitage is the Competent Person who assumes overall professional responsibility for the Compliance Opinion. Mr. Chris Bray BEng, Principal Mining Consultant at SRK Consulting (UK), has taken responsibility for the review of the Life of Mine ("LOM") plan, as reported by the Company. The information in this report that relates to Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Anna Fardell, Principal Resource Geologist at SRK Consulting (Kazakhstan) Limited.

As of the effective date, 31 October 2021, Dr. Mike Armitage was employed by SRK Consulting (UK) Limited. Dr. Mike Armitage is a Member the Institute of Materials, Minerals and Mining ("IOM3") which is a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the Australian Securities Exchange ("ASX") from time to time. Dr. Mike Armitage has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr. Mike Armitage consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Mr. Chris Bray is a member of and a Chartered Professional in the Australasian Institute of Mining and Metallurgy. He is a Mining Engineer with 25 years' experience in the mining and metals industry, including operational experience in underground mines as well as mine planning and review experience on underground potash, salt, lithium and borate projects, and as such qualifies as a Competent Person as defined in the JORC Code. He has also been involved in the reporting of Ore Reserves on various properties internationally for over 10 years. Mr. Chris Bray consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Ms. Anna Fardell is a Principal Resource Geologist employed by SRK Consulting (Kazakhstan) Limited. Anna Fardell is a member of the Australian Institute for Geoscientists and has 15 years' experience in the mining and metals industry and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. Anna Fardell consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

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

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

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

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

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

highfieldresources.com.au