Annual Report

31 December 2023

HIGHFIELD RESOURCES LIMITED

www.highfieldresources.com.au

ABN 51 153 918 257

Highfield Resources

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Corporate Directory

Directors

Mr. Paul Harris
Independent Non-Executive Chairman

Mr. Ignacio Salazar
CEO and Managing Director

Ms. Pauline Carr
Independent Non-Executive Director

Mr. Roger Davey
Independent Non-Executive Director

Mr. Luke Anderson
Non-Executive Director

Company Secretary

Ms. Katelyn Adams

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

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Chairman's Letter

Dear Shareholders,

I am pleased to present the 2024 Chairman's Letter for Highfield Resources Limited. This year has been a significant one for Highfield, with substantial progress made on our flagship Muga Potash Mine project and changes to our Board of Directors.

Project Updates

In addition to amazing effort of securing all the key Muga Project permits in 2023, the Company updated the Muga feasibility study, reconfirming the outstanding project metrics over a 30-year Life of Mine. The Project economics are robust, with an NPV_8 of €1.82 billion and a 24% IRR (post-tax). The EBITDA is projected to be €340 million per annum in full production. The pre-production capital requirement for Phase 1 is €449 million.

We are strategically located in the middle of the western European market, with excellent access to ports, transport, and renewable grid power. Our mine access is straightforward with shallow mineralization and low technical risk with conventional mining and processing methods.

Funding and Partnerships

We continue to work diligently to secure the remaining financing required for phase 1 operations. We are in negotiations with a range of parties encompassing strategic partnerships, non-dilutive royalties, equity, and offtake agreements.

We are delighted to have signed a binding offtake agreement with Maxisalt, a global Spanish chemical and salt producer and trader, to supply 75,000tpa of by-product salt.

Board Changes

We welcomed Mr. Luke Anderson to the Board this year. A qualified chartered accountant, Mr. Anderson brings over 25 years of experience in executive management, corporate development, corporate treasury, financial management, and financial services roles in major international resource and transport companies across Australia and the United States.

We also mourn the loss of our esteemed Board member, Mr. Brian Jamieson. His wisdom, passion, and intellect will be greatly missed.

Looking Ahead

With the recent signing of our key Construction contract with EPOS-Tunelan construction start of the declines and underground facilities is now planned to start in 2024. We are very excited about the start of construction and look forward to keeping you updated on our progress.

Thank you

I would like to also take the opportunity to thank my fellow Board members, the management team led by Ignacio Salazar, and our dedicated employees for all their efforts over the year. 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 Highfields's development, and I look forward to Highfield continuing its positive trajectory towards becoming a successful and sustainable long-life producer of potash.

Best regards,

Paul Harris
Independent Non-Executive Chairman
27 March 2024

> “We are very excited about the start of construction and look forward to keeping you updated on our progress.”

Chief Executive Officer's Letter

Dear shareholders,

In 2023, we closed a long and significant chapter for Highfield, achieving all key permits for Muga. The construction licence in Navarra for the process plant, granted at the end of March 2023, finally allows for the full-scale construction of the Project to commence. This critical milestone was the last step of a process which involved more than 180 administrations, with more than 1,000 submissions analyzed, more than 13 public information sessions were held and 31 permits and authorisations were successfully granted during almost a decade. Many other mining projects have failed at this stage. With Muga, we have delivered, and this phase is now behind us.

The team has been actively working in advancing the Project, re-tendering key construction activities and updating the Muga feasibility study with a much higher level of confidence in the Capex estimate. With this update, following a significant inflationary environment, we were able to successfully re-confirm a value for Muga of €1.8 billion and a 24% IRR. The mine location provides exposure to significantly lower potash delivery costs to the European market, positioning Muga as a top quartile margin performer in the industry. Our team has been working with contractors to ensure alignment of costs with the updated Feasibility Study published in November 2023. In March 2024, we announced the signing of the key contract for the construction of the two declines and underground mining infrastructure with EPOS - TUNELAN.

In parallel, the Company continued its focus on the financing strategy, successfully achieving a €320.6 million senior secured project financing package with a syndicate of six highly reputable entities in the sector. We also obtained credit approval from the Macquarie Group for an equipment operating lease facility of up to €25 million. We were fortunate during the year to have a number of existing strategic shareholders who continue to demonstrate strong support for the Company with interim funding to allow the completion of the strategic investment process. We feel the Company is well prepared to start construction of Muga and to conclude the strategic financing process.

The difficult global geopolitical backdrop following the wars in Ukraine and Gaza reinforces the importance of Muga. In the first quarter of 2024 this has become more apparent with farmers across western Europe bringing Governments' attention to the increasing cost burden they face. More than ever, it is becoming more strategically important to ensure a sustainable global potash supply.

I am confident that with our talented team, together with the support of the local communities and administrations where we operate and strategic partnerships, we will deliver a leading potash Project in Spain.

Thank you for your continued support and trust in our Company. We look forward to a long and sustainable future filled with growth and success.

Ignacio Salazar
CEO and Managing Director
27 March 2024

> "We feel the Company is well prepared to start construction of Muga and to conclude the strategic process."

Sustainability Report

CEO Message

Muga is strategically important in achieving food security through a new global and sustainable supply of European potash.

Dear Readers,

Access to strategically important raw materials has been a key driver for economic wealth and development throughout history. The stakes are getting higher in the current geopolitical environment, with Europe continuing to depend on imported minerals for fertilizers to grow its crops. Before the Ukraine war, Russia and Belarus together supplied more than half of European potash demand. In this context, the strategic relevance of Muga is now evident and more important than ever. As the next Spanish potash producer, Muga is crucial in securing Europe's food supply.

This year's Sustainability Report summarizes all of our ESG oriented activities that contribute to the robustness of this sustainable potash Project.

The Company has led by example with respect to its social licence to operate within the region and local communities. We are pleased that in 2023, the "Muga Community initiative" was nominated by the United Nations Global Compact as a "best practice" example in social management. "Muga Community" is an initiative led by the local government which coordinates, with the Company and our communities, strategies for a successful implementation of this Project in the region. The Company received the last critical construction licence from the Sangüesa Townhall early in the year. This licence followed a strong support from local stakeholders who expressed to the administrators the urgent need to complete the permitting process. As a result, the Company was successful in acquiring the remaining land necessary for the Project following a legal process that guaranteed landowners' rights. The required land purchase was successfully achieved with a high level of acceptance by those impacted and amicable agreements reached. We expect to start the main construction works in calendar year 2024, and as we move closer, the increased level of interest during these last few months from hundreds of potential local suppliers demonstrate the positive benefits that this

Project may bring to the economy of the region.

Muga will pioneer a high level of environmental standards. The mine is designed to leave no visible disturbance or footprint at surface, given its conventional low emission underground operations. The mine will also be progressively rehabilitated with all material extracted to be sold or backfilled into the mine. European demand is currently supplied by importing fertilizers produced with a much higher carbon footprint[1] than Muga – up to 60% higher in some cases than European production. The planned production from Muga therefore has the potential to significantly reduce the carbon footprint associated with European potash demand.

Several mining companies around the globe have already identified the opportunity to expand into fertilizer production, anticipating that the world's increasing population and reduction in arable land will increase pressure for food demand and ultimately fertilizers. Muga is a shovel-ready Project in Europe ready to address this challenge. Sustainability is at the centre of how we will operate as a multi generational potash producer, underpinned by renewable power, a low emission operation, in a strategic location.

Ignacio Salazar
CEO and Managing Director Highfield Resources and Geoalcali

27 March 2024

"Potash is an absolutely essential input for fertilizers that are used to grow strong healthy crops against a backdrop of a growing global population and decreasing arable land. We have a unique opportunity here to make a positive contribution toward food security."

Highfield Resources CEO, Mr Salazar

[1] https://www.ft.com/content/638d6913-fec9-490f-90b0-5e6d3269d093

Our Enduring Commitment to Sustainability

The Company is acutely aware that managing our ESG obligations appropriately can contribute to long-term value creation for our organization and stakeholders. Since the Company's inception, stakeholder engagement has been a critical component used to inform our strategies as an ongoing tool to ensure the Company is aligned with impacted communities and to identify and address material topics the Project developes.

The Group's committees review policies and ethical compliance annually. During the 2023 review, no substantial changes were required to our Code of Business Ethics and Conduct.

The Group actively seeks the implementation and refinement of existing protocols to manage risk and improve sustainable performance throughout the evolution of the Project, ahead of regulations in Spain. 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 and cybersecurity. The Board and committees oversee that the Company's ESG focus remains as a cornerstone of the Company's performance.

Information about the Company's corporate governance can be found in the Company's website:

https://www.highfieldresources.com.au/corporate-governance/

ESG 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 Commitment, Excellence Respect and Attitude (CREA), which form the basis of the eight principles of our Sustainable Roadmap outlined below:

1.

Integrate ethical management that takes into account risk analysis to deliver the best results for our stakeholders.

2.

Adopt best practices in health and safety with the aim of providing protection for our employees and communities.

3.

Focus on achieving 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 and 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.

Our Commitment to the Sustainable Development Agenda

No Poverty

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

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.

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.

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 at each stage of the Project's life cycle.

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.

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.

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.

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.

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.

Decent Work and Economic Growth

Muga will be one of the main economic 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.

Responsible Consumption and Production

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

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 Sustainable Development Goals (SDG).

Muga´s ESG Credentials

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.

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.

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.

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.

Listening to Our Surroundings

The Company proactively and regularly engages with key stakeholders to identify concerns and communicate opportunities for long-term value creation associated with the Project. The aim of this open dialogue is to incorporate stakeholder opinions, whilst considering global trends that may affect Muga. The purpose is to develop strategies to control risk and maximise positive impacts. The Group has in place several methods to communicate with its stakeholders and will continue to do so throughout the life of the Project. Similarly, the Company monitors and responds to environmental and social trends in many jurisdictions. This is a key consideration in our risk management process and necessary to achieve our long-term vision. All this information results in the definition of material topics which are factored in the Company´s stakeholder engagement plan outlined below.

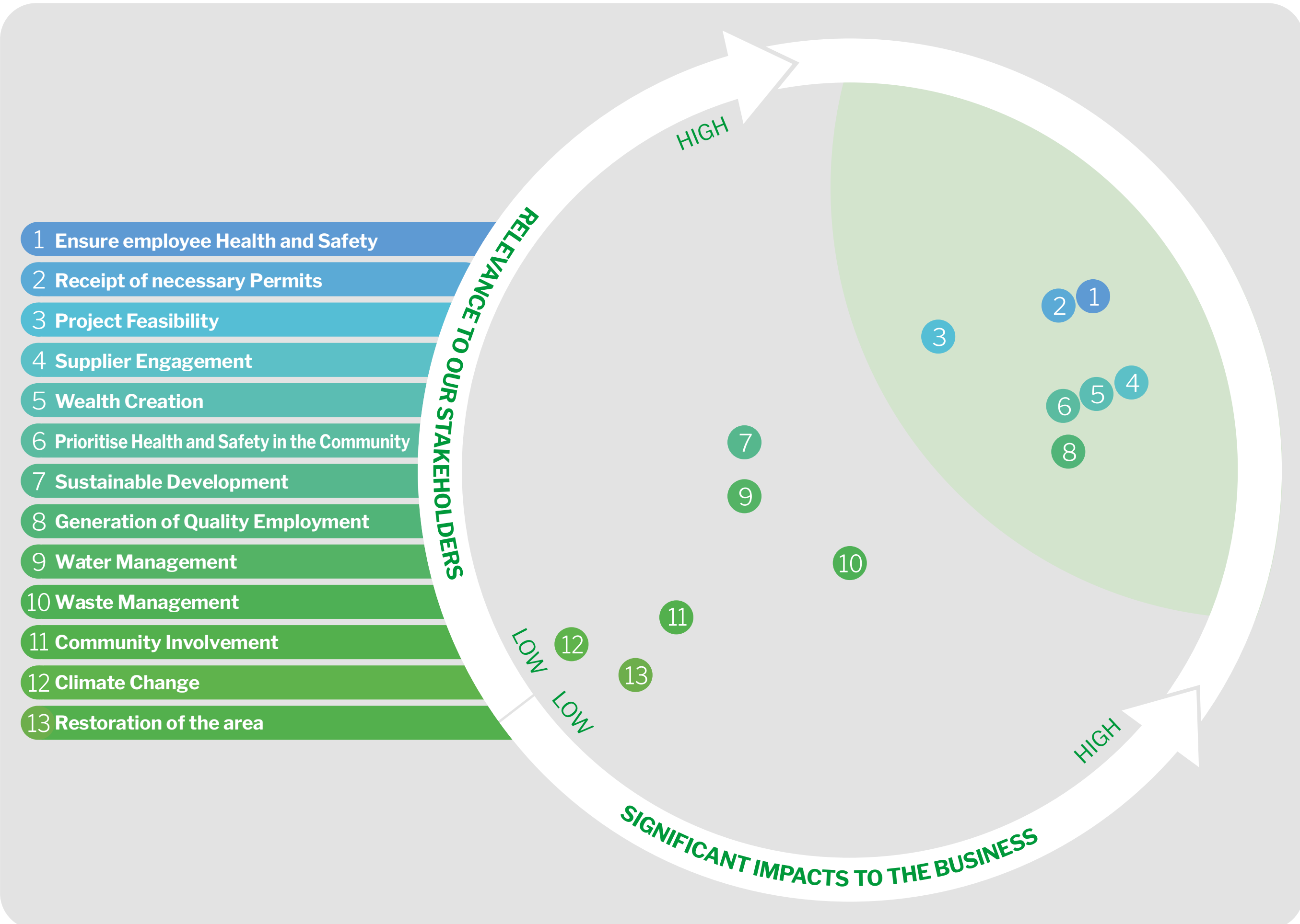
Communication Channels

Stakeholder Type	How	Frequency	Material Topics
Local Communities	Physical suggestion boxes located in the communities involved in the project	Monthly	5 7 8
Local Communities	Online access through the "We want to listen to you" tab for suggestions, consultations and questions from citizens and residents of the area	Daily	2 4 8
Local Communities	Muga Community (local liaison group), events and forums	Twice a year	2 3 4 5 6 7 8 11
Local Communities	Monitoring Press	Daily	2 4 7 8
Town Councils	Official application process	Weekly	1 6 9 10
Town Councils	Regular meetings	Monthly	1 6 7 9 10
Town Councils	Physical suggestion boxes located in the communities involved in the project	Monthly	7
Suppliers	Directly related with relevant department	Daily	2 4 5 8 11
Government Organisations	Official application process and regulatory affairs	Weekly	2 7 11
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	3 7
Non-Governmental Organisations and Local Organisations	Informative events		2 3 5 7 8
Non-Governmental Organisations and Local Organisations	Monitoring press	Daily	2 3 5 7 8 13
Investors	Investor Relations Department	Daily	2 5
Employees	HR Department	Daily	1 2 8
Trends and media	Business Associations, organisations, press monitorin	Daily	7 12

Material Topics

Business Development	Environmental Topics	Safety issues	Sustainable approach
2 Receipt of necessary Permits	9 Water Management	1 Ensure employee Health and Safety	11 Community Involvement
4 Supplier Engagement*	10 Waste Management	6 Prioritise Health and Safety in the Community	12 Climate Change
5 Wealth Creation	13 Restoration of the area		7 Sustainable Development
8 Generation of Quality Employment			
3 Project Feasibility			

**Supplier Engagement has replaced previous material topic Anti – Corruption as this has gained relevance during 2023, whilst Anti Corruption is no longer a key issue of concern or relevant trend to the Project.*



Performance: Muga´s ESG Highlights

This report is structured in accordance to Material Topics previously explained.

Business Development

Receipt of Necessary Permits

The Company announced on 29 March 2023 that the Townhall of Sangüesa issued the licence for the construction of the process plant. This milestone was one of the Company's highlight achievements of 2023 as this was the last construction licence required to begin the full-scale construction of Muga, comprising the civil works, the process plant and the ramps. To expedite the process, the Company requested an amendment to the licence; this amendment was to exclude a small parcel of public land that required a more extended licencing process. This does not impact the construction of the Muga process plant and has limited impact relative to the southern ponds.

In parallel, and with a similar vision to accelerate the process the Company received strong local support summarized in the following chart:

Name	Rol	Summary	Publication or link
Javier del Castillo	**Former Mayor of Sangüesa**	In an open letter published by Diario de Navarra, he asked the authorities "to contribute to the prosperity and development of our city, to create wealth, development, the future... in short: grant the licence".	 32 OPINIÓN Mina Muga, actualidad, inquietud y esperanza

Name	Rol	Summary	Publication or link
Javier Solozábal	**Current Mayor of Sangüesa since June 2023**	The former leader of the opposition and spokesman of Agrupación San Sebastián political party wrote an article in the local magazine Al Revés calling for support for Muga Mine.	 SANGÜESA, SIN BRILLO La legislatura finalizará el próximo mayo y toca hacer balance. No solo de estos 4 años, sino de los 12 que llevan APS-Bildu gobernando juntos con acuerdos y como socios. 12 largos años en los que Sangüesa sigue estancada en muchos temas recurrentes. Y por si fuese poco estar parados, hemos ido retrocediendo como capital de la zona. **Cada año más "pueblico", menos "ciudad"**. No hay más que ver la vecina Lumbier, que nos come terreno con su nuevo polígono industrial o la estación de autobús y taxis que construirá en breve, o los proyectos de vivienda en Aibar o Gabarderal. Y son solo unos ejemplos. Hace unos años hablábamos de la falta de **vivienda** para jóvenes, pero tras 12 años debemos hablar ya de falta de vivienda en general. Ni alquiler, ni compra. Ni VPO, ni reforma de vivienda antigua. La mayor genialidad que se les ocurre a APS-Bildu es ceder gratis a Nasuvinsa el mejor solar de la calle Caballeros para vivienda de alquiler social, de muy cuestionable demanda. Solar, por cierto, propiedad de la Residencia y por cuyo valor APS-Bildu no han querido abonar ese ingreso extra al centro. Han dejado ocultas en un cajón las propuestas de Policía Local sobre la problemática que existe en cuanto a tráfico, carga y descarga, peatonalización y aparcamientos. Ni tan siquiera renovar la desastrosa **señalización**. Por no hablar de **ordenanzas** pendientes de aplicar o incluso de aprobar, ¿por miedo o por amiguismo? tráfico, terrazas, pipotes... Han preferido quedarse de brazos cruzados a tratar temas difíciles, sí, pero cada día más necesarios abordar. Abandonados siguen los **caminos rurales**, que suman ya una necesidad de 600.000 €; las **zonas verdes y árboles**, dejadez absoluta; la **limpieza viaria**, que cae en picado; los **grupos y asociaciones locales**, perdiendo apoyo e impulso municipal; las **instalaciones públicas**, carentes de inversión durante años; la **central hidroeléctrica**, que pierde ingresos por falta de mantenimiento... Incapaces de presionar a un Gobierno de Navarra afín para mejorar y licitar de una vez el **transporte público** a Pamplona y extenderlo en la comarca, Aoiz, Tafalla y provincias vecinas; acomplejados ante el proyecto **Mina-Muga**, que hay que apoyar y sobre el que hay que plantear necesidades al Gobierno; una **juventud** olvidada, sin alternativas; unos **mayores** apartados... Frente a esto, las ocurrencias de este equipo de gobierno van por crear una empresa pública deficitaria para gestionar **Cantolagua**, pero sin establecer inversiones; gastar 180.000 € en el tejado del **Matadero**, pero sin definir su uso; o proyectar una costosísima pista **Pump-truck** en Los Pozancos, pero que no parece que se vaya a ejecutar. Prometieron "una Sangüesa mejor", más bella, y nos dejan, pese a su mucho potencial, una Sangüesa sin brillo. Javier Solozábal Amorena Portavoz del grupo AISS Nota *Zabal Comunicación, empresa editora de la revista "Al revés", no se hace responsable de las opiniones de l@s autor@s de las cartas de la sección 'Cuéntanos', ni tiene por qué estar de acuerdo con ellas.*
José Antonio Martínez Cortés	**Ex Mayor of Castiliscar and Ex President of Aragón´s Rural Development Agency**	He published a letter to the editor in the Heraldo de Aragón, urging the Sangüesa town council to grant the license or "hundreds of jobs will be put at risk".	 CARTAS Las cartas al director no deben exceder de 20 líneas (1.500 caracteres) y han de incluir la identificación completa del autor (nombre, apellidos, DNI, dirección y teléfono). HERALDO se reserva el derecho de extractarlas y publicarlas debidamente firmadas. **cartas@heraldo.es** Sangüesa y mina Muga Con todo mi respeto a la alcaldesa de Sangüesa, ante la noticia sobre la licencia de obras del proyecto de explotación de Mina Muga, cuyas obras afectarían a un monte de utilidad pública, es bajo mi punto de vista el retraso de la concesión de una licencia parcial que afecta a dichos terrenos lo que está poniendo en riesgo el proyecto. Cuya paralización sería una muy mala noticia tanto para la merindad de Sangüesa como para la comarca de las Cinco Villas y en especial la parte norte de la misma, donde están en juego centenares de puestos de trabajo que tanto se necesitan en estos territorios. Estoy de acuerdo con la alcaldesa en que tiene que velar por que se cumpla la normativa de urbanismo. No obstante, pueden reconsiderar la posibilidad de la concesión de una licencia parcial y con ello se evitaría la incertidumbre creada a los inversores, que económicamente han dado su aprobación al proyecto, despejando las dudas que les están causando. Cuando la alcaldesa dice que no se tiene que politizar esta licencia municipal, estoy de acuerdo, pero el tema es que sabiendo que al final, cumpliendo la ley, tendrá el Ayuntamiento que otorgar dicha licencia, mientras tanto se están poniendo en grave peligro centenares de puestos de trabajo. **José Antonio Martínez Cortés** CASTILISCAR (ZARAGOZA)
Anonymous	**Neighbour of Sangüesa**	An anonymous Sangüesa resident wrote an opinion article in the local magazine Al revés in which he stated that "many of us are committed to and believe in the future of the area, which is why we support and look forward to the Muga project becoming a reality".	 Escríbenos con nombre, apellidos, DNI y firma: alreves@alreves.net * Extensión máxima de cada carta: 450 palabras REVISTA "AL REVÉS"

Name	Rol	Summary	Publication or link
General Workers' Union (UGT)	**UGT Union Industry Federation**	The Union Federation (FICA) and General Workers' Union (UGT) issued a press release calling on the Sangüesa to "speed up the process of granting the necessary permits."	 UGT FICA Nota de Prensa UGT-FICA RECLAMA LA AGILIZACIÓN DE LOS PERMISOS DE LA MINA DE GEOALCALI EN SANGÜESA PARA PROTEGER LA CREACIÓN DE EMPLEO
Company's workers	**Company's workers**	The local press picked up a letter from Company's workers expressing their 'great concern at the delay and lack of response to the Mina Muga licence application'.	 Diario de Noticias – Miércoles, 15 de marzo de 2023 Cartas al director Al Ayto. de Sangüesa de la plantilla en ERTE de Geoalcali SLU Covid 19, un aniversario para olvidar Soterramiento en San Jorge ¿Qué nos pasa?
Ainhoa Unzu	**PSN (Socialist Party of Navarra) Economic Development Spokesperson**	Ms. Unzu assured journalists at the Parliament of Navarra that Navarra is an attractive region for the creation of new companies, highlighting "major projects" such as Muga in Sangüesa.	 06 Feb 2023 UNZU: "LA INSTALACIÓN DE NUEVAS EMPRESAS COMO LA ANUNCIADA EN AOIZ DESMONTA CON HECHOS EL MANTRA NEGATIVO DE UPN"

Name	Rol	Summary	Publication or link
Joakin Tellería	**Chairman of the Pasaia Port Authority**	In an-interview with Diario Vasco, the Chairman of the Pasaia Port Authority in Gipuzkoa mentioned the future opportunities that the Muga project will bring to the port.	 ECONOMÍA «Se cocina una posible ampliación del Puerto en terrenos de Lezo» Joakin Tellería Pte. de la Autoridad Portuaria de Pasaia
Miguel Iriberri	**President of Industrial Foundation of Navarra**	The press statement expressed that a final effort was required to speed up the process to resolve the pending reports and formalities with urgency for such a relevant Project as Muga is for Navarra.	 OPINIÓN No dejemos morir el proyecto de Mina Muga

Another important milestone achieved in 2023 (June) was the process to secure access to all the land necessary to build the Muga Mine. The Company had previously either purchased land or obtained commitments to buy it from the landowners. The remaining areas, where no private agreement had been previously reached, were subject to the normal legal expropriation process in Navarra for projects of public interest.

To ensure access to the remaining land required for the construction of Muga (including the above ground facilities, power lines and road access), the Company initiated an extensive expropriation process on 27 September 2021 with the Government of Navarra. In December 2022, the Government of Navarra approved and declared the urgent need to occupy these remaining areas by Highfield. Following this declaration, the Company, together with the Government of Navarra, met with those affected by the expropriation process to specify the areas affected and manage a valuation process between them. This process ran successfully, and the Company reached an agreement with the majority of landowners (88.5%). For the small minority of landowners where no price agreement was reached, an official process will be run by the Government to determine a fair market price. This process does not impact Highfield's right to access and use the areas immediately. To allow the Company to access the land, the final requirement was to make a deposit payment of €1.1 million as an advance payment of the final purchase price. The deposit amount is as per the requirement set out in the Government's guidelines. Highfield made the deposit, and the Company has been officially notified that it has fulfilled all the requirements under the Navarran Compulsory Expropriation Law for immediate access and use of the lands.

Supplier Engagement

Procurement typically represents the largest expenditure in local communities - usually more than taxes, wages, and community investment combined. Local procurement opens new economic opportunities for members of local communities, including jobs, training, and business development linked to the mine. Local suppliers have been strong supporters of the Project and the involvement of this stakeholder group has gained relevance particularly since the beginning of the preliminary construction works. On 16 March 2023, local suppliers organised an event to express their support with the aim of accelerating the construction of the Project when it was pending of Sangüesa's Construction license. Local suppliers were concerned for the level of investment that will be required to seize the economic and social benefits that the mine will have in the region.

A local supplier event to support the Project had a high level of attendance with more than 70 participants

The Company had previously organised several forums to explain the potential benefits of the mine. These events were organised in 2021 and 2022 in the local towns of Ejea de los Caballeros, Sos del Rey Católico, Sangüesa and Zaragoza. Despite Covid challenges, these events had a high level of attendance with more than 250 local companies involved. The Company has in place a Buy Local Policy, and to date, more than 90% of the Project´s local suppliers are Spanish.

Wealth Creation

Of the historical investment, more than 70% has been allocated to the acquisition of products and services from local suppliers. In addition, the Project is expected to have an annual supplier spend of more than €64 million over the mine life.

The Project will generate hundreds of quality jobs for decades contributing to the local economy via taxes.

Generation of Quality Employment

The Company is aware that generating quality employment is a key part of its journey in becoming an employer of choice. The Company works closely with staff to develop a meaningful career path, a supportive environment, and a culture that values employee well-being.

The following activities highlight the Company's effort towards achieving this goal:

1 Flexible Work Schedules

During 2023, the Company implemented a new holiday, leave and flexibility procedure with the aim of strengthening the work-life balance measures already in place.

2 Healthy Living Program

In their aim to guarantee staff well-being, the Company promotes healthy habits such as providing fruit for staff and sport activities.

Padel Teambuilding activity – December 2023

Geoalcali wins the BKT Tires' Giveaway Contest

The Company entered the competition promoting sustainable practices promoted by BKT Tires.

The Company was informed that BKT Tires had chosen the Company's project as the winner of the BKT Tires BKT Bikes Giveaway competition, and Geoalcali was awarded 10 bicycles that were received during the month of November. A volunteer day was organised to assemble and set up the bicycles, which will be used to further promote sport and sustainable mobility among the Company's workforce. As part of the Healthy Living Program, two bicycles are now for common use by staff for short journeys around the city of Pamplona.

3 Team building and staff recognition

As part of Company's Corporate Social Responsibility policy, on 16 and 17 January 2023 a group of volunteers from the Company staff refurbished an exhibit room in Javier. This room was provided by the Department of Tourism of the Government of Navarra for educational purposes, which will host the Company's mineral exhibit, and which can be visited by appointment by schoolchildren, neighbours and any group that requests it.

New space for the Mineral Exhibition

The Company launched a communication campaign to boost employee engagement by highlighting every member of staff who had the opportunity to express their views and contribution the Muga Project.

4 Employment Forums

We participated in the conference on "Employment and Entrepreneurship" organised by the Public University of Navarra (UPNA) in the Navarra Arena pavilion in Pamplona.

The Director of Human Resources, Javier Olloqui, took part in the round table organised by Navarra Talent together with the heads of the same area from companies such as 3P Biopharmaceuticals and Veridas to explain the great professional opportunities mining – and Muga, can provide to the younger generations.

Geoalcali's Javier Olloqui at Pamplona's Job Fair

Current employment figures

Workforce	Female	Male
2023	10	17

Turnover

4
people left the Company (two females and two males) and

3
people joined the Company (one female and two males).

Training

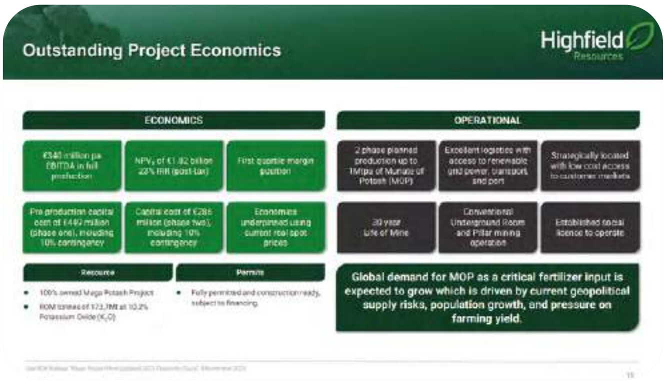
10
thematics with a total of

1,147
hours.

Project Feasibility

The Company's updated 2023 Feasibility Study confirms the outstanding project metrics over 30-year Life of Mine.

The parameters are based on advanced engineering and firm contracts which provide a high level of confidence in the Project assumptions with 93% of the capex based on contracts plus firm offers and results in an NPV_8 of €1.82 billion and an IRR of 23%.



Environmental Topics

We continued working on the implementation of the best environmental outcomes for Muga. In 2022, the Environmental Surveillance Plan for Muga (PVA- Acronym for Programa de Vigilancia Ambiental) was submitted to the mining and environmental authorities of Navarra and Aragon. 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 2022, the PVA was implemented and the carrying out of the controls corresponding to the construction phase commenced. Quarterly reports with the results of all the controls in place started in 2022 and in 2023 were shared with the Administrations of Navarra and Aragón.

During 2023, the Muga Mine Project was in the Works phase that included:

- Preliminary works on the mine opening. Polygon 6, plot 73 Espilengas, Undués de Lerda (Zaragoza); and
- Initial earthworks for the temporary deposit of saline waste. Polygon 8, plots 660 and 654, Sangüesa (Navarra).

Water Management and Waste Management

The activities carried out in 2023, likely to generate environmental impact and therefore subject to monitoring and control, are:

- Earthworks from the collection of soil at the mine site;
- Earthworks for the execution of the temporary deposit of saline waste;
- Extraction and storage of topsoil from the saline deposit; and
- Revegetation of topsoil.

So far, the preliminary works carried out were small scale activities and which could not cause damage to the water environment. Nonetheless, taking into account that the mining operation phase is expected to commence in a few years, the Company considered it prudent to maintain the frequency of the monitoring campaigns in the pre-operational phase. This monitoring is based on quarterly in-situ measurements and semi-annual laboratory analyses to assess the current state of the water reserves, prior to beginning the main construction of the Muga mine.

Additionally, in August 2023, 6 new control piezometers were included in the network, to increase the monitoring network (levels 2 and 3) of the PVA. Data from these new piezometers has been recorded since their installation and included in quarterly reports from Q3 2023. This is being monitored from the moment of their execution with a periodicity analogous to the point already executed at the mine entrance.

Restoration of the Area

The Company complies with strict regulations for the restoration of all land affected during the Company´s activities. No substantial drilling activities occurred during 2023.

No environmental incidents occurred during 2023.

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
- Control 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

Safety Issues

Ensure Employee Health and Safety

The Company and its Project Management coordinator (Bovis) closely monitored the execution of the Muga Mine pre-construction works, including the coordination of the works from the preventive angle in compliance with the required legislation (RD1627/1997 and RD 171/2004). The objective was to ensure that the contractors executed 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 the right conditions for a safe and accident-free workplace.

Training is key for a strong and shared safety culture. During 2023, the Prevention of Risks at Work training was completed by a 100% of active staff. An additional training for two staff members for Construction Preventive Action and an elevation platforms machinery training for one operator was completed.

A total of 478 hours of training were completed.

The Company provides its workers with periodic health monitoring, in accordance with the terms regulated in Law 31/1995 on Occupational Risk Prevention and in Royal Decree 39/1997. During the year, refresher sessions were also completed by all personnel.

No Safety incidents or accidents occurred during 2023.

Prioritise Health and Safety in the Community

The Company is committed to safeguarding the safety of community members and therefore, has already in place a Social Management Plan that contributes to ensuring the community wellbeing. Within the Social Management Plan, the Company monitors potential impacts such as traffic management, dust and noise controls, among others. In addition, the Company is working in collaboration with the governments to ensure that community services identified in the Muga Community Initiative (such as health systems) are of the requisite standard.

Sustainable Approach

Community Involvement

From the beginning, the Company has maintained a continuous dialogue with local community, however, it was in 2022 when the local liason group was formalised under the initiative: Comunidad Muga – Muga Community, holding several coordination meetings in the same year.

In 2023, the first meeting of Muga Community was held at the Commonwealth Services of Sangüesa Region in February. The Director of Depopulation and Local Administration of the Government of Navarra explained that the purpose of the meeting was to focus on the development of the activities of Muga Community until the end of the legislature (elections held in May). The municipalities attending the meeting expressed their interest in the training initiatives carried out by the Construction Labour Foundation in collaboration with Geoalcali and the Navarra Employment Service, the study of local suppliers carried out by the Navarra Chamber of Commerce and the forthcoming drafting of the Muga Community Strategic Plan.

During the second and third quarters of the year, no meetings were held, due to the reconfiguration of local and regional governments following the May 2023 elections.

In the last quarter of the year, a meeting was held in Aragon to promote training in the Aragonese part of the region. This meeting was attended by the new town Mayors formed after the May elections. In this case, representatives from the municipalities of Undués de Lerda, Sos del Rey Católico and Mancomunidad Altas Cinco Villas, Longás and Urriés attended. A representative of the Construction Labour Foundation was also present at this meeting to explain how training courses related to the mine could be promoted in the area.

The Company has received a high level of interest from residents of the area who are currently employed. This demonstrates that the residents consider Muga as an employer of choice which will benefit the Company when it comes time to consider drawing on local communities for its workforce.

Muga Community has been recognized as best practice in social management according to the UN's Global Compact initiative COMparte. COMParte is a Spanish Global Compact Network's platform of good practices in sustainability.

Among the social engagement activities planned for 2023, the Company highlights the following:

1 200 New Trees Next to the Castillo de Javier

Neighbours and workers of the Company joined forces in the planting of 200 new trees next to the historic Castillo de Javier. Specifically, 75 gall oaks (Quercus Faginea), 75 holm oaks (Quercus Ilex) and 50 rowan trees (Sorbus), all native species donated by the Geoalcali Foundation, have been planted in an area of 3,000 m^2.

The new trees and their rooting will serve to strengthen a slope located next to the cemetery in the town of Navarra and will help to offset the CO_2 emissions produced in the area. With this action, the Company and the municipality strengthen their alliance in tackling common objectives, while at the same time strengthening their commitment to the environment.

This is not the first initiative of this type that the Company has carried out in the Sangüesa region. These 200 new trees are in addition to the 150 trees that the Company has contributed to planting in the area of influence of its Muga mining project, in towns such as Sangüesa, Liédena and Rocaforte. In total, thanks to the support of Geoalcali, and through its Foundation, nearly 50,000 m^2 of land has been replanted.

For Geoalcali, this is not only an activity that is committed to the reforestation of the area, but also a further lever for the promotion of corporate volunteering among its workforce. The initiative has further positive effects: improving the landscape near one of the most visited tourist spots in Navarra, increasing biodiversity, helping to renew the air and contributing to the European Green Deal´s objective of reforestation.

Geoalcali staff and neighbors from Javier participated in the tree planting

2 Open Doors to the Company's Exhibit: Essential Minerals for a Sustainable Future

In March 2023, the Company hosted several Open Doors of the mineral exhibit, Essential Minerals for a Sustainable Future, that the Company has in the locality of Javier. Around 200 pilgrims during the Javieradas pilgrimage visited the exhibit. Moreover, in June, residents of Javier also had the opportunity to visit the exhibit to learn more about geology in the area, the importance of minerals in our daily lives. The exhibit receives school visits and is included in the official Navarra Government websites (mines department and tourism).

3 The Geoalcali Foundation

Since its creation in September 2014, the Geoalcali Foundation has supported more than 190 community projects in close collaboration with local councils, social associations, foundations and other local organisations. The commitment to education and local development in the area continues to be one of the pillars of the Foundation's work. Hence the collaboration with several schools in the area for the acquisition of school materials and to promote quality education, complementary training with yoga classes for school children or the maintenance of an essential service such as transport for school children and residents in Undués de Lerda. Another important factor in the coexistence of any community is leisure. For this reason, we collaborated in the organisation of the first rural festival in the area, bringing magic, music and theatre to the local residents in the Txokarrera Fest in Liédena. This year we also celebrated with the former potash miners of Navarra the Santa Bárbara festivity, patron saint of miners.

Climate Change

In order to implement mitigation measures to tackle climate change risks, the Group will carry out a cost/benefit analysis to help the senior management team identify which risk mitigation measures be applied. External consultants will be engaged if necessary when addressing climate change risks. A formal tendering proposal is planned in due course.

Sustainable Development

Sustainability partnerships consists of teaming up for mutual benefits related to sustainability goals. The Company is continuously seeking alliances with the aim to drive the transformation of the mining industry into a more ESG orientated business approachable to society, particularly in the context where Europe´s strategic autonomy in securing a supply of all vital commodities is gaining relevance. Muga encourages increased domestic production, lowers fertilizer costs for European farmers, and secures food supply in a more sustainable manner. This is relevant for our society in Navarra, Aragón, Spain, and Europe.

1 Meeting with Lithuanian authorities

The CEO of Highfield-Geoalcali held a meeting with the Lithuanian Embassy in Spain given the new geopolitical context with the Ukranian war and the resultant global potash supply challenges which are in turn placing the focus on local European sources of supply such as Muga.

2 Exhibition at the Museum of Natural Sciences of the University of Zaragoza

The University of Zaragoza invited us to participate in the permanent exhibition on Minerals of Aragon at the Museum of Natural Sciences. One of its objectives is to disseminate the richness and diversity of the geological and mining heritage of the region through this exhibition located in the University Museum of Natural Sciences.

Display of potash samples extracted from the research drillholes of Muga

3 Minerals of the future, Women of reference Conference

The Company's Director of Public Affairs, Susana Bieberach, took part in the symposium organised by Women In Mining on the importance of minerals for sustainable development. The forum took place in Seville to coincide with the celebration of International Women's Day. Atlantic Copper's CEO, Javier Targhetta and General Manager, Macarena Gutiérrez, the Industry Minister of Seville, Jorge Paradela and the Mines Director of Asturias, María Belarmina Díaz Aguado participated in the event.

4 Geoalcali joined Navarra Zirkular

The Company joined this public-private collaboration initiative promoted by the Department of Economic and Business Development, the Department of Rural Development and the Environment, the Department of Citizen Relations of the Government of Navarra, the public companies Sodena and GAN-NIK for the adoption of circular economy practices in the Company's strategies.

5 RSA Seal: Official Government of Aragón Corporate Responsibility initiative

This is our eighth consecutive year implementing sustainable management in accordance with this program. The renewal of this seal is recognition of the efforts made by the Company in promoting work life; 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.

6 Collaboration with Alboan´s Mobiles for the Earth" initiative

As part of its commitment to sustainability, the Company joined the "Mobiles for the Earth" initiative for the collection of old mobile phones.

The useful life of mobile devices, such as smartphones, is around two years on average. As a result, hundreds of thousands of phones are discarded every year that could be reused or recycled appropriately to make more efficient use of non-renewable resources. Materials such as gold, tin, coltan and copper could be extracted from these devices for reuse, promoting the circular economy and reducing the impacts of mining these minerals in other countries.

By collaborating with the "Mobiles for the Earth" initiative, the Company contributes to the objective of the Alboan Foundation's Conflict-Free Technology Campaign, which is to raise public awareness of the need to promote responsible consumption of electronic devices and reduce the social and environmental impacts of mining.

The funds raised through this initiative will go towards financing humanitarian action projects carried out with the Jesuit Refugee Service in Colombia and eastern Democratic Republic of Congo.

7 MINERÉTICA Activities

MINERETICA is an official mining communication program of the Government of Navarra in which Geoalcali actively participates among other members of the mining industry in Navarra.

In April, as part of the annual Vegetable Festival held in Tudela, MINERËTICA organised a mineral fertilizer thematic event. Geoalcali was responsible for setting up a dedicated educational tent at the Bardenas Reales headquarters, where visitors were able to enjoy geology workshops and children's games about the minerals that surround us, learn about nutrients and minerals with a Healthy Kit provided by Geoalcali; and the exhibition "Essential Minerals for a Sustainable Future".

Prior to the conference a presentation on "The role of mineral fertilizers in the vegetable garden" was given by José María García-Mina, Professor of Agricultural Chemistry and Soil Science at the University of Navarra, followed by a discussion panel between José María García-Mina, David Navarro, member of the Farmers and Stockbreeders Union of Navarra and Alberto Josa, Mining Engineer and Director of Mining at Magnesitas Navarras S.A.

Minerética voulunteers in the educational tent

In addition to this event, the Company has actively participated in the workshops on the use of minerals and potash for children in 4th Grade Primary School at Liceo Monjardín, together with AEMINA and AFARIME, both mining associations of Navarra, under the coordination of the Navarra Government Mines Department.

Employee Teresa Frauca explains the importance of potash to the class

8 Memberships

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

ASOCIACIÓN EMPRESARIAL de las Cinco Villas

The business association of Cinco Villas

ALIA Clúster Logístico Aragón

The logistics cluster of Aragón

ADEA CLUB DE MARKETING

The executive managers association of Aragón

CONFEDEM

The Spanish mining confederation

AEMA AGRUPACIÓN DE EMPRESAS MINERAS DE ARAGÓN

An association of mining businessmen of Aragón

aemina agrupación empresarial minera navarra

An association of mining companies of Navarra

ASBA

The business association of Australia in Spain

ifa INTERNATIONAL FERTILIZER ASSOCIATION Helping to feed the world sustainably

International Fertilizer Association

Cámara Navarra

An association of Navarra companies

AINDEX

A Spanish mining association

Miembro de ANEFA

A Navarra mining association

FUNDACIÓN INDUSTRIAL NAVARRA

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

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.

Fundaciones de Navarra Nafarroako Fundazioak

About this Report

This report highlights all ESG activities carried out during 2023 by Highfield Resources Limited (the "Company" or "Highfield") and its Spanish subsidiary Geoalcali SLU ("Geoalcali"), together "the Group".

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.

For further information visit:
https://www.highfieldresources.com.au/ sustainability-reports/

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 2023.

Directors

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

Mr. Paul Harris

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 was a non-executive Director of Aurelia Metals Limited (ASX: AMI) until 31 January 2024. 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 Masters of Engineering (Mining) 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. 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. Ignacio assumed the position of CEO of Highfield in July 2020, after coming from Orosur Mining, a Canadian gold mining company with operations in Colombia, Uruguay, and Chile, which is listed in the London and Toronto stock markets, and in which he worked as CEO and CFO for 12 years. 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's degrees in Economics and Business and in Law, Ignacio has extensive experience in the exploration, development, construction and operation of open pit and underground mines, as well as in local relations with communities and governments, in international relations within the industry and the capital markets of Europe, North America and Australia, through 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, Pauline Carr is a professional non-executive director and has over 35 years' commercial and executive experience with Australian and international listed companies spanning management, corporate governance and compliance, risk, investor and stakeholder relations and business improvement. Her professional and directorial career has encompassed a range of sectors including resources and energy, property and construction, financial services, pharmaceutical, community healthcare, retail and higher education.

In addition to her oil and gas experience Pauline's resources sector experience has been gained over 35 years and covers a range of mineral commodities – gold, base metals, industrial minerals, iron ore, tungsten, potash and more recently rare earths. She has held in a variety of roles over the years starting in the accounting, financial analysis, auditing areas before moving into government and community relations, business improvement, HR, compliance, risk management and corporate governance and then into executive roles which included being an integral part of growth and international expansions through mergers and acquisitions.

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, and a Master of Science degree in Water Resource Management from Bournemouth 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). In the three years immediately before the end of the financial year, Mr. Davey held no other directorships of any Australian listed companies.

Mr. Luke Anderson

(commenced 13 September 2023)

Non-Executive Director, BA (Accy), MAICD

Mr. Anderson is a qualified chartered accountant with over 25 years of experience in executive management, corporate development, corporate treasury, financial management and financial services roles in major international resource and transport companies across Australia and the United States. He also has extensive experience in business development in the resources sector.

Most recently Mr. Anderson was the CEO of One Rail Australia (previously Genesee & Wyoming Australia), the third largest rail freight operator in Australia which owned and operated more than 3,200 km of rail track across Australia.

Mr. Anderson was also President and CEO of Unimin Corporation, the largest industrial minerals mining company in North America, generating revenues in excess of US$1.3 billion from its 42 operations in the US, Canada and Mexico.

Mr. Anderson has a range of project development experiences which include being the CFO of Oz Minerals while it was developing its Carrapateena Project in South Australia.

In the three years immediately before the end of the financial year, Mr. Anderson did not hold any other listed company directorships.

Mr. Brian Jamieson

(ceased 7 August 2023)

Non-Executive Director, FCA, FAICD

The Board of Highfield Resources Limited was deeply saddened by the passing of Mr. Brian Jamieson on 7 August 2023. Upon his passing, Chairman of the Board, Mr. Paul Harris, extended the Company's deepest sympathy to Mr. Jamieson's family and conveyed the great privilege of working with Mr. Jamieson and acknowledged his exceptional talents, wisdom, passion and intellect.

Over his working career Mr. Jamieson procured over 40 years' experience in the advisory, manufacturing, resources and technology industries in Australia and offshore.

Mr. Jamieson was a chartered accountant and at the time of his passing chaired the Audit and Risk Committee of IODM Limited and was the Non-Executive Chairman of Energy Technologies Limited (ASX:EGY appointed 24 December 2020).

At the time of his passing, he did not hold 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, PNX Metals Limited, Mighty Kingdom, Duxton Water Limited and Duxton Farms Limited.

Board Committees

Remuneration and Nomination Committee

The principal purpose of the Committee is to assist the Board fulfil its governance and oversight responsibilities in relation to the Group's 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 the Group's 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 appointed by the Board and are currently Ms. Pauline Carr (Chairman), Mr. Paul Harris, Mr. Roger Davey and Mr. Luke Anderson. Mr. Luke Anderson joined the Committee effective 13 September 2023 upon his appointment as Director.

Audit, Business Risk and Compliance Committee

The principal purpose of the Committee is to assist the Board fulfil 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.

Each member of the Committee must be appropriately financially literate and accordingly have working familiarity with basic finance and accounting practices and have an understanding of risk management strategies.

The members of the Audit, Business Risk and Compliance Committee are appointed by the Board and are currently Ms. Pauline Carr (Chairman), Mr. Roger Davey and Mr. Luke Anderson. Mr. Luke Anderson joined the Committee effective 13 September 2023 upon his appointment as Director.

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	5,604,138
Pauline Carr	62,101	-
Roger Davey	9,251	-
Luke Anderson	495,837	40,322

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

Director	Paul Harris	Ignacio Salazar				Luke Anderson
Options by price and expiry	**$1.07**	**$0.47**	**$0.79**	**$0.865**	**$0.94**	**$0.93**
16 June 2024	-	-		-	-	40,322
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	-	-	879,766	459,971	-	-
31 December 2027	-	-	879,765	-	-	-
31 December 2028	-	-	879,765	-	-	-

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 2023 was $12,115,323 (year ended 31 December 2022: $5,789,353).

As the Group is still classified as an exploration company under Australian Accounting Standards, revenue obtained related to interests earned from the cash positions held by the Group both in Spanish and Australian institutions.

Total consolidated cash on hand at the end of the financial year was $14,083,844 (31 December 2022: $19,446,084).

Net cash outflow from operating activities utilised $9,909,116 (31 December 2022: $4,000,869) primarily to fund General and Administrative costs.

Net cash outflow from investing activities of $9,562,059 (31 December 2022: $12,145,643) was mainly to advance the Muga-Vipasca Project in relation to:

- Preliminary works at the mine site;
- Mining and processing plant equipment engineering fees;
- Payment of deposits to secure access to the lands following the culmination of the expropriation process; and
- Consultant fees and other charges related to the Project's funding.

Net cash inflow from financing activities of $14,349,544 during the year ended 31 December 2023 was attributable to net proceeds from the issue of convertible notes partially offset by the payment of financing fees to the Project Finance banks partners (31 December 2022: $13,473,000).

The attached financial report for the year ended 31 December 2023 contains an independent auditor's report which highlights the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 2 in the financial report, together with the auditor's report.

Dividends

No dividend was paid or declared by the Company during the financial year ended 31 December 2023 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 serves as a roadmap of the operating strategies guiding the Group from the risk management perspective and it is fully aligned with the Group's vision and Commitment, Respect, Excellence and Attitude ("CREA") corporate values. This framework defines how risks are to be managed at the Group level and it also addresses the interconnectivity of the different tools to achieve the Group's objectives in this respect.

Highfield's RMF embeds robust practices into the Group's risk culture and is a key foundation of the Group's financial future. The Group's RMF is based on three overriding risk management principles all of which are aligned with ISO 31000-2018 Risk Management.

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

The management of risk within the Group is guided by a pyramid structure with policies at the apex which set high level strategic objectives. These policies are further developed by standards which set specific requirements and outline the Group's policies. The base of the pyramid encompasses procedures, manuals, and handbooks to define the necessary steps to carry out certain required tasks. This structure and its robust application establish a sound framework of risk oversight, risk management and internal controls which underpin 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 risk context in which Highfield operates is characterized by its position as an exploration company on the cusp of moving into the development phase as well as the strict and substantial regulatory regime within which it operates, and the intent to deliver shareholder returns in an increasingly competitive environment.

The Group does not generally have an appetite for high exposure risks but recognises that delivering upon its project delivery vision will involve a degree of risk-taking and uncertainty. A Risk Appetite Statement provides guidance to management on the amount and type of risk the Company seeks to take in pursuing its objectives has been set up and different levels of risk have been defined for each operating area at the strategic, tactical, and operational levels. The Risk Appetite Statement has been considered by the Audit, Business Risk and Compliance Committee and formally adopted by the Highfield Board of Directors.

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
Financial Risks – Cash availability	In the event that the equity financing for the Project is delayed the Group's cash could potentially deteriorate. Cash requirements for the Muga project are obviously a lot higher than those at pre-construction however, until final Muga funding is in place, the Company needs to keep a minimum cash balance.	As at 31 December 2023 the Group's cash position is A$14.1m (€8.7m). Management has liquidity as its main focus and measures to preserve cash while moving the Project ahead have been implemented. In this respect non-essential cash outflows are very much limited to avoid cash depletion. Robust financial management is applied to ensure the Group continues operating as a going concern. Monthly current cash burn excluding financing costs is less than A$1m. In addition, banks are charging A$0.8m per month for their commitment towards the Project Finance loan. In any case, tougher measures to cut expenditure could potentially be applied to limit cash outflow further. The recent issue of convertible notes to key shareholders indicates their support to the Company.
Financial Risks – Project Funding	Inability to secure the last piece of funding on relative acceptable terms over the coming months might potentially lead to seek more onerous funding alternatives, this resulting in weaker cash flow generation over the life of the Project this leading to a fall in the Company's share price and a reduction in the Company's market capitalization.	While the senior debt portion of the capital stack is secured with a €320.6 million senior Project Financing facility and an additional €25 million equipment operating lease, an active funding plan is being developed to fully fund the Project and enable the full-scale construction. Options under review include strategic investors, royalty providers, offtakers, and other alternatives. The Group is managing a number of potential parties in each of these areas with the help of its financing advisors, Macquarie Capital, Clarksons and Endeavour Financial.
Financial Risks – Project Costs	During construction a number of adverse events could occur that would require additional funding to ensure continuing compliance with bank covenants and avoid cost overruns.	The recently published Feasibility Study (November 2023) confirmed Muga's capex and opex estimates and provided a stronger level of confidence as contracts and firm offers representing 93% of the updated capex have been recently obtained. Most of these contracts and offers were obtained in Q4 2023 and factor in inflationary pressure and are still regarded as current. Contingencies have been reassessed to reach 10% of the direct and indirect construction costs (€40.0 million), in line with similar projects and market practices. Additionally, 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. The Project is assuming (and financing) a combined buffer of circa €100 million to face potential cost increases.
Operational Risks – Health & Safety (H&S)	Hazards and incidents require early identification, root cause analysis and a response strategy.	Safety KPIs have been defined and are assessed on a monthly basis as part of the H&S strategy. These performance variables have been embedded in the Group's remuneration practices and hence, employees' variable at risk remuneration is party determined by the Group's H&S performance. A bespoke Crisis Management Manual has been enacted and is reviewed yearly to ensure it remains up to date and fits the purpose. This manual aims to manage a crisis (whatever its nature) within the business and strives to minimize harm and restore operations as soon as practicably possible. The manual is led by five unwavering priorities: • Safety and welfare of all staff and public; • Protect the environment; • Protect the reputation of the Company; • Protect the Company's assets and facilities; and • Achieve operational continuity. Crisis simulations exercises are periodically conducted to test the procedures included in the manual and a lesson learnt document is duly drafted.

Risk Category	Risk Description	Mitigation Strategy
Operational Risks – Key personnel and talented staff availability	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. Shortage of talented employees in the Project location might also be a risk.	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. In addition, there is regular monitoring of the status of the labour market and reviews of the project's future staffing needs. Programs are in place with the Regional Employment Offices of Navarra and Aragón to build a pool of potential candidates to allow the Group to recruit experienced and skillful personnel for the construction and operational phases.
Construction Risks – Construction execution	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 talent pool of potential local candidates. In addition, talent and development management initiatives have been implemented in the Group to ensure development and training of staff. External consultants are engaged to provide specialist expertise to supplement the in-house team when required.
Technical Risks	Although the Muga plant will be based on established technology, its performance will depend on a number of factors, namely: • a successful detailed engineering; • quality construction that meets deadlines and avoids cost overruns; • swift plant commissioning; • processing of ore that delivers the expected grade.	The detailed engineering has been undertaken by an experienced and reputable consultant. The Plant construction will be carried out by a reputable and experienced contractor which also has the appropriate expertise. 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. Operations and maintenance teams carefully designed to tackle commissioning issues.
Marketing & Logistics Risks – Offtake agreements (potash and salt)	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. Aggressive pricing policies applied by existing producers might have an impact on the level of prices. Moreover, final customers' expectations around discounts might also contribute to a lower potash price achieved.	MOUs have been signed with fertiliser traders with deep potash market experience and contacts to help mitigate these risks. Muga´s favourable location close to major potash consumers is expected to allow it to achieve local premiums including logistics benefits in the current market where European suppliers are being supplied from Canada. A binding take-or-pay offtake with Padira Premium S.L.U./ Maxisalt was signed in November 2023 for up to 75kt per annum, of high-grade vacuum salt per annum.
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 hold the Group's three exploration projects.

Nature of Operations and Principal Activities

The principal activity of the Group during the financial year was advancing its flagship Muga-Vipasca Project in the north of Spain. There was no significant change in the nature of the Group's activities during the financial year ended 31 December 2023.

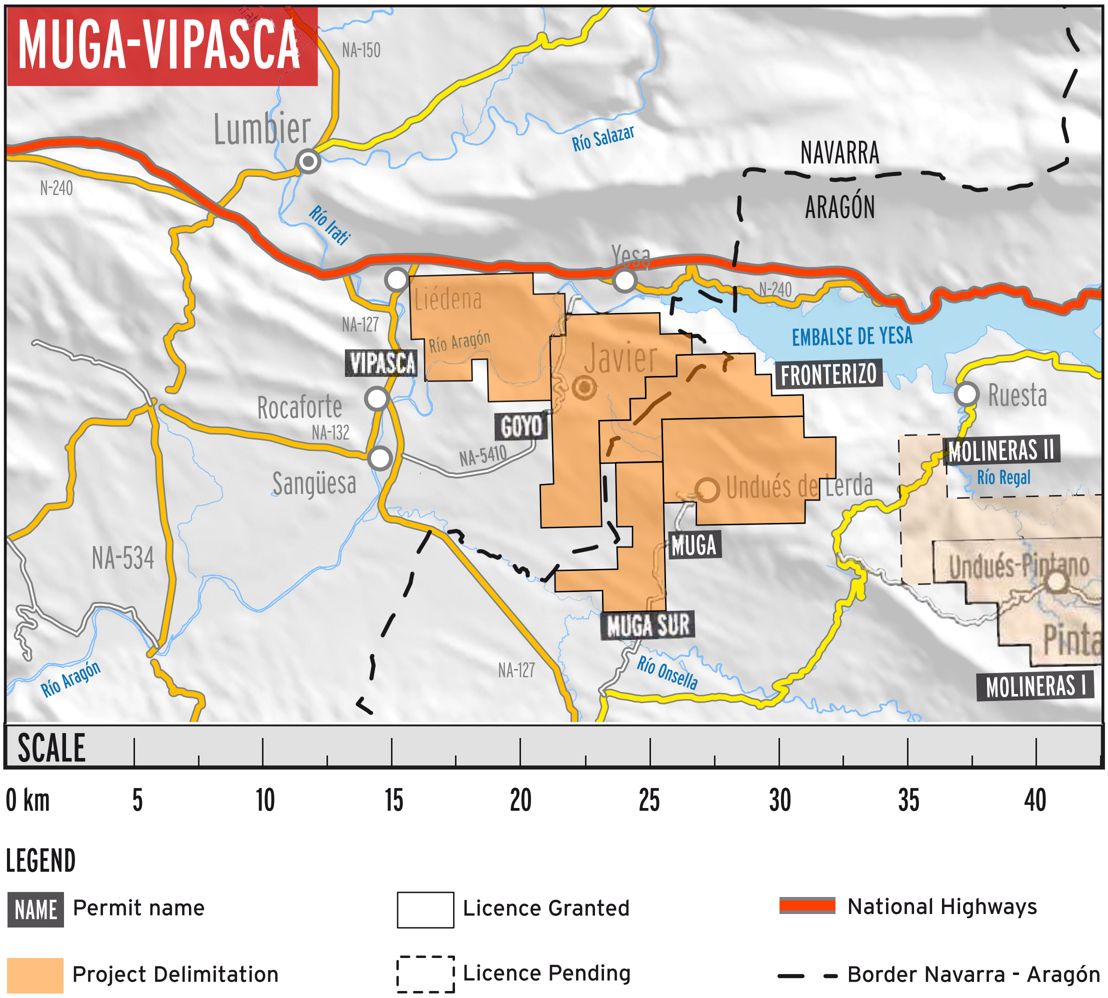
Review of Operations

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 40km^2 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 14km^2 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 1,100 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 financial year, HFR continued to progress its Muga-Vipasca Project. The focus has been on completing the cost and design review, with the announcement of the updated feasibility study on November 2023, and progressing funding and offtake negotiations on the back of the privileged situation of the Project which is fully permitted and shovel ready.

Permitting and Construction Update

The Project has been significantly de-risked from the permitting angle with all the relevant licenses, authorizations, and permits having been obtained. Also, access to the lands was finally gained after the completion of the expropriation process for the areas where no private agreement was signed. Agreement was reached with the majority of landowners and a deposit of €1.1 million was paid in accordance with the Government's guidelines. For the remaining small number of landowners where no price agreement was reached, an official process will be run by the Government to determine a fair market price (refer ASX release 27 June 2023, “Highfield Resources secures all land for the Muga Project”).

Following the successful expropriation process in Navarra, and with land access secured for the Project, some preliminary works, which need to be carried out prior to the main construction have been progressed during the year. Some of these works relate to earthmoving in preparation for the areas for the saline water deposit and the environmental protection barriers around the footprint of the Project. In addition, minor preliminary works in the power line were also undertaken.

The contracting strategy for the Muga-Vipasca Potash Project has been streamlined to an owner-managed project delivery model that envisages the construction of the declines and underground mining infrastructure to be undertaken by a Mining Specialist Contractor and the Civil Works and Urbanisation by a General Contractor.

During the last quarter of the year, the Company progressed negotiations with the two relevant contractors responsible for each of the two packages set out above.

Technical Update

As announced in the first quarter of 2022, all key process plant equipment purchase contracts had been signed with its suppliers (refer ASX release 15 February 2022, “Remaining Purchase Contract Signed”). Following the signing of these contracts Highfield received equipment engineering drawings that allowed for the further finetuning and optimization of the detailed engineering of the processing plant. The Company is now ready to begin construction once the financing process comes to completion.

Apart from some minor updates that the 2023 Updated Feasibility Study incorporated following comments received during the due diligence process with the financing banks (refer ASX release 7 November 2023, “Updated Muga Feasibility Study”), the processing plant design and the mine plan are the same as presented in the December 2021 Muga Feasibility Study Update.

Sales, Marketing and Logistic Update

Trade sanctions affecting Russia and Belarus since 2022 have worsened the supply constraints the potash market had been experiencing since 2021. In 2022, prices hit all-time record-highs and demand dramatically fell as affordability eroded. Market constraints eased and global demand begun to recover in 2023, however a shift in market dynamics has settled a new global trade map with former soviet producers being unable to access most western economies.

The ongoing conflicts involving Russia and Ukraine in eastern Europe as well as and in Israel and Palestine in the Middle East, continue to encourage buyers to find alternative sources of potash from more stable regions. This has stimulated discussions with traders and other potential offtake and logistics partners interested in a strategic participation in the Project.

During 2023, Highfield continued to develop its transport and logistics strategy in line with the newest developments introduced in the marketing plan. With the deferral of the compacting and glazing unit construction, the mine will now produce standard grade muriate of potash ("SMOP") in phase 1 and add granular grade muriate of potash ("GMOP") to the product portfolio in phase 2. Given that there is a marked preference for each product in different geographical markets, the sales strategy has been re-defined based on the specific product demand in each area. In Europe the market demand is 60% GMOP and 40% SMOP. The Company's sales plan assumes that the majority of SMOP is to be sold in Europe in both phases, while 50% of the total phase 2 GMOP production is to be sold into local and regional markets with a further 25% sold into north European markets and the remaining 25% to other export markets.

The salt sales and marketing plan has also progressed significantly in 2023 with an offtake agreement signed with Maxisalt for the sale of a minimum 50,000 tonnes per annum with the option to sell up to 75,000 tonnes per annum of vacuum salt for the first 5 years of production (refer ASX release 1 November 2023, "Highfield signs 75ktpa vacuum salt offtake agreement with Maxisalt"). This amount represents 20-30% of the expected high-grade salt production in phase 1 of the Project.

Highfield continues to engage with the three nearby ports it has previously signed MOUs with – Pasajes and Bilbao (North of Spain) and Bayonne (South of France) – with a view to effectively build the Company's transport and logistics strategy, as it is a key input in the development and implementation of the Company's sales and marketing plan.

Financing Update

After the signature of the principal facility with four European major banks acting as Mandated Lead Arrangers ("MLA"), (BNP Paribas S.A., ING Bank N.V., Natixis CIB and Societe Generale (London Branch) for €320.6 million Senior Secured Project Financing for Muga, the Company announced in April 2023 that HSBC Continental Europe and Caja Rural de Navarra had joined the Senior Facilities as Lenders (refer ASX release 17 April 2023, "Highfield welcomes additional lenders to its Senior Secured Project Financing for Muga Project development"). This milestone is seen as a significant endorsement to the Muga financing stack.

In May 2023, the Company received credit approval from Macquarie for an equipment operating lease facility with a total value of €27 million, with a peak exposure not expected to exceed €25 million (refer ASX release 12 May 2023, "Highfield secures credit approval for up to €25m equipment operating lease financing"). This key milestone was the culmination of the non-binding indicative term sheet signed with Macquarie a year before.

The Company secured a key strategic investment of approximately A$25 million from EMR Capital and Tectonic and related parties under a convertible note deed, between the Company and the Lenders (refer ASX release 23 May 2023, "Highfield secures a key strategic investment of A$25m from EMR Capital and Tectonic Investment Management"). The convertible notes which have a maturity of a 24 months will mandatorily convert into shares of HFR before the first draw down under the senior debt facility for the Project.

Further to the investment set out above, Highfield secured an additional US$6 million investment from existing key shareholders in the form of convertible notes issued on similar contractual terms to the issuance of convertible notes announced by the Company in May 2023 (refer ASX release 22 December 2023, "Highfield secures US$6 million to advance Muga potash mine toward construction").

The Company continues working with its external consultants, Macquarie bank, Clarksons Securities and Endeavour Financial to fully fund the Project and a wide range of alternatives encompassing strategic partnerships, non-dilutive royalties, equity, and offtake agreements are being analysed.

Updated Feasibility Study

The Company completed the update of its Feasibility Study for the Project and released the results to the ASX on 7 November 2023 (refer ASX release, "Muga potash mine updated 2023 Feasibility Study").

The current Project contains several differences compared with the 2022 Feasibility Study and reflects a more refined approach to certain mining and processing technical aspects as a result of the thorough review carried out by the independent technical engineers appointed by the senior debt lenders. One of the main changes is that the Project will produce SMOP only during phase 1 given that the commissioning of GMOP takes extra time would require additional investment (a compaction and glazing unit) to upgrade the product. These facilities have been deferred to phase 2.

In terms of duration, the total construction works including the plant commissioning for phase 1 will extend for 30 months. The envisaged ramp-up period to achieve the plant nameplate capacity is 8 months. Phase 2 will be developed in 24 months reflecting the learning curve provided by phase 1 and the fact that some of the big infrastructures will be in place. Phase 2 will be a replication of phase 1 without the same requirement for access roads, site preparation, power lines, ponds, etc. which only occur in phase 1.

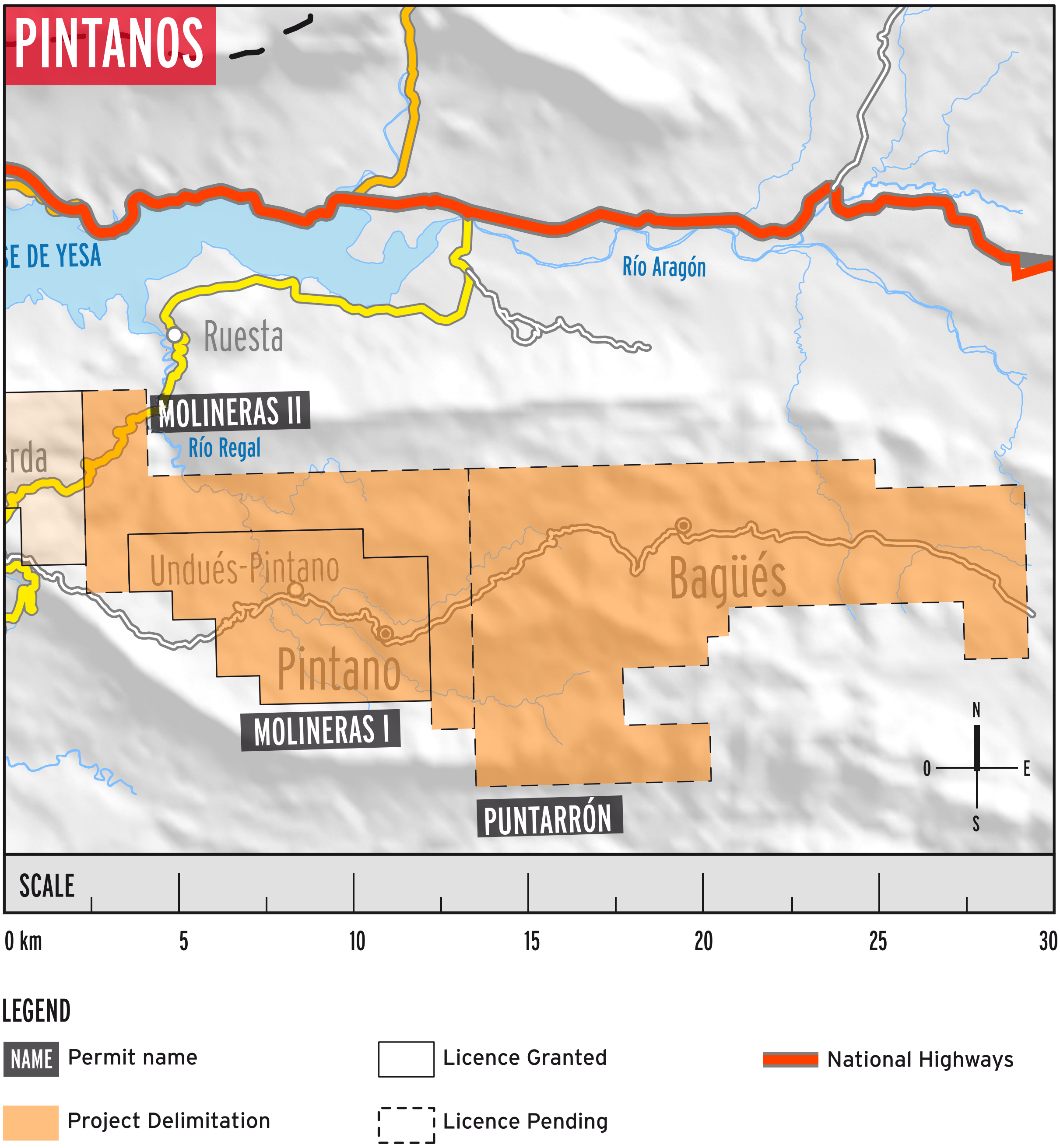
From the economic standpoint the new model capex accounts for the global cost inflation on raw materials and is supported by a stronger level of confidence as contracts and firm offers represent 93% of the updated capex estimate. Average C1 costs are slightly higher at €108 per tonne, including the salt by-product credit because of the change in global prices. However, the potash price deck provided by independent consultant, CRU, that supports the study shows higher potash prices in the first years of production, which positively impacts the overall economics of the Project, in terms of IRR and NPV.

The updated Project economics resulted in an NPV_8 of €1.82 billion and an IRR of 23% over a 30-year mine life. The updated capex for phase 1 is €449 million, and €286 million for phase 2. At full production, the EBITDA will be approximately €340 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 and an additional one-year extension was requested in 2023 to complete the works in the area. The extension was granted in early 2024. 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.

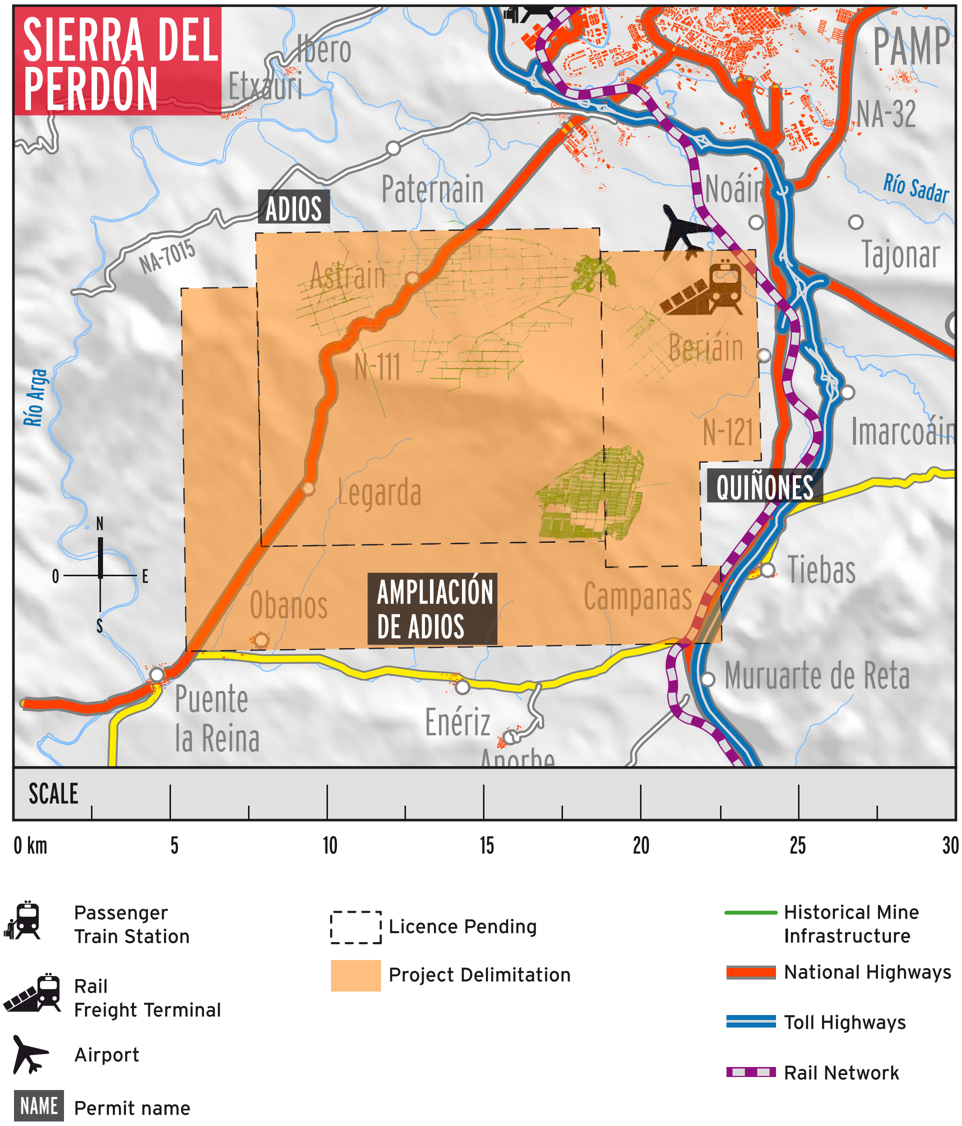


Sierra del Perdón Project

Located southeast of Pamplona, the Sierra del Perdón tenement area ("SdP") covers approximately 120km[2] 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 2023.



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 the Geoalcali foundation has provided support to over 190 community projects in close collaboration with town halls, social associations, foundations, and other local organisations. The commitment to education and local development in the area continues to be one of the pillars of the Foundation's work. Hence, the collaboration with several schools in the area for the acquisition of school supplies and promoting quality education, yoga classes for schoolchildren, and the funding of an essential service such as transportation for schoolchildren and residents in Undués de Lerda.

Another important factor in the coexistence with community is leisure. For this reason, the Foundation collaborated in the organization of the first rural festival in the area, bringing magic, music, and theatre to its neighbours. The Foundation also remembers former miners in Navarra and celebrated with them Saint Barbara's Day, patron saint of miners, with them.

During 2023, the Foundation worked with the Company's Public Affairs team and with the Muga Community to maximise the socioeconomic benefits of the Muga mine in the local area. In this respect students embarked in different training programmes organised jointly by Geoalcali, the Navarran Employment Office and the Labour Construction Foundation of Aragón visited the mining museum that Geoalcali set up in Javier.

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.

Corporate

Directors

Mr. Brian Jamieson was a Non-Executive Director of the Company until his passing in early August 2023. The Company would like to acknowledge Mr. Brian Jamieson's contribution during his tenure as a member of the Board and once again express its condolences to his family and friends.

Mr. Luke Anderson was appointed to the Board on 13 September 2023 as a Non-Executive Director. Mr. Anderson has over 25 years of experience in executive management, corporate development, corporate treasury, financial management and business development in the resources sector and has been nominated by EMR to replace Mr. Jamieson following his passing.

Executives

On 10 May 2023, the Company announced that Mr. Carles Alemán had been appointed as Head of Plant Construction & Health, Safety and Environment (HSE). Mr. Aleman has over 30 years' experience, with extensive experience in potash mining in Spain. Prior to joining Highfield Mr. Alemán was President of ICL Iberia and Managing Director of Iberpotash. Mr. Alemán's appointment strengthens the construction team and will ensure the integration of the Company's health, safety, and environmental activities before moving into the construction phase.

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 2023. 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 2023.

Table 1: Muga-Vipasca Ore Reserves Summary

	31 December 2023		31 December 2022		31 December 2021	
	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)
Proved	45.3	10.5%	45.3	10.5%	45.3	10.5%
Probable	59.0	10.0%	59.0	10.0%	59.0	10.0%
Total Proved & Probable	**104.3**	**10.2%**	**104.3**	**10.2%**	**104.3**	**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 2023.

Table 2: Muga-Vipasca Mineral Resources Summary

	31 December 2023		31 December 2022		31 December 2021	
	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 2023.

Table 3: Sierra del Perdón Mineral Resources Summary

	31 December 2023		31 December 2022		31 December 2021	
	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 2023.

Table 4: Pintanos Mineral Resources Summary

	31 December 2023		31 December 2022		31 December 2021	
	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 2023		31 December 2022		31 December 2021	
	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)	Tonnes In Place (Mt)	Grade K_2O (%)
Proved	45.3	10.5%	45.3	10.5%	45.3	10.5%
Probable	59.0	10.0%	59.0	10.0%	59.0	10.0%
Total Proved & Probable	**104.3**	**10.2%**	**104.3**	**10.2%**	**104.3**	**10.2%**

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

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

	31 December 2023		31 December 2022		31 December 2021	
	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

The Extraordinary General Meeting held on 9 February 2024 approved the issue of convertible notes to EMR.

As reported on 11 March 2024 (refer ASX release 11 March 2024, "Highfield signs contract for the construction of the declines at Muga potash project"), the Company signed the agreement to construct the declines and underground mining infrastructure with the Portuguese/Spanish joint venture, EPOS-TUNELAN for a total cost of €48 million, in line with the recent feasibility study. Works will commence in H1, 2024 upon completion of funding and Final Investment Decision.

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 agreed to indemnify all the current 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 2023 and the number of meetings attended by each Director were as follows:

Director	**Board Meetings**		**Remuneration and Nomination Committee**		**Audit, Business Risk and Compliance Committee**	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Paul Harris	22	22	4	4	5	5#
Ignacio Salazar	22	22	4	4#	5	5#
Pauline Carr	22	22	4	4	5	5
Roger Davey	22	20	4	4	5	5
Brian Jamieson[1]	5	5	2	2#	3	3
Luke Anderson[2]	16	15	1	1	1	1

[1] *Mr. Jamieson ceased directorship on 7 August 2023.*

[2] *Mr. Anderson was appointed as a Non-executive Director on 13 September 2023.*

 # Attendance at meeting by invitation.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act for leave 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 part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Corporate Governance

The Board of Directors is responsible for the operational and financial performance of the Consolidated Entity, including its corporate governance. The Company believes that the adoption of good corporate governance adds value for stakeholders and enhances investor confidence.

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 112 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 2023. For the purposes of this report the KMP are defined as those persons having 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	
Paul Harris	Independent Non-Executive Director
Pauline Carr	Independent Non-Executive Director
Roger Davey	Independent Non-Executive Director
Brian Jamieson	Non-Executive Director (ceased 7 August 2023)[1]
Luke Anderson	Non-Executive Director (appointed 13 September 2023)

Executives	
Ignacio Salazar	CEO and Managing Director
Javier Aguado	Chief Financial Officer

[1] *Mr. Jamieson was a Non-Executive Director of the Company until his passing in early August 2023.*

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 which is embedded in the Group's Code of Business Conduct and Ethics, 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 an independent Remuneration and Nomination Committee Charter to oversee the Group's remuneration and nomination responsibilities and related governance as well as formulate the Group's Remuneration Framework and Remuneration Policy.

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 Groups' remuneration offerings remain in line with its industry peer group.

Use of Remuneration Consultants

The Board and the Remuneration and Nomination Committee at times receives advice from independent remuneration consultants to ensure that KMP and senior executives' fees and payments are appropriate and in line with the market.

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 engaged remuneration consultant Juno Partners for a fee of $14,350 to obtain comparable market data on remuneration policies and practices.

Review of KMP Remuneration

A review of the KMP remuneration is undertaken by the Board each year with the assistance of the Remuneration and Nomination Committee and as required, external remuneration consultants to ensure that:

- reward levels are fair and responsible in accordance with the market;
- the Group's rewards are competitive, performance-based that properly attract, retain, and motivate; and
- incentives provide fair reward in line with the Company and individual performance to deliver on the long-term strategic objectives.

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.

Remuneration of Non-Executive Directors ("NED")

Fees are paid to all NEDs. 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.

Details of NED remuneration is shown below.

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.

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.

NED remuneration is reviewed periodically by the Remuneration and Nomination Committee so as to gauge its fairness and competitiveness.

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

Remuneration of other KMP and Senior Executives

The Company's Remuneration Framework relating to other KMP and Senior Executives is set out in the table below.

Fixed Remuneration	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 Group KPI targets 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 STI opportunity is up to 75% of fixed remuneration for the CEO and up to 50% for other KMP and senior executives.	The equity component of the at-risk reward opportunity, linked to the creation of shareholder value and foster employee retention. The LTI opportunity for executives is up to 85% of fixed remuneration for the CEO and up to 50% for other KMP and senior executives.

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.

Key Performance Indicators ("KPI") for Short Term Incentives

KPIs are quantifiable measures that gauge the Group's performance against a set of corporate targets and strategic objectives. The Group's KPIs are reviewed by the Remuneration and Nomination Committee, and approved by the Board. They typically cover targets in respect of safety and wellbeing, key project milestones for Muga including (but not limited to) permitting, funding, engineering, construction, and project delivery.

The aggregate score against the Group's KPIs determines the total size of the STI bonus pool to be awarded to participants. A personalized 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 Board exercises its discretion to award STI payments to executive KMP.

As in the previous years, the level of achievement of KPIs is only assessed as Target.

Summary Group KPI Performance

The STI corporate and strategic KPI performance outcomes for KMPs for the year ended 31 December 2023 were as follows. As at the date of this report the KPI assessment had not been finalised.

KPI Category	Corporate Objective for the year	Weighting for 2023 %	2023 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 Confederación Hidrográfica del Ebro (“CHE”) permits granted.	20	20
Financing	Successful debt and equity financing in place to allow construction commencement.	20	TBD
Engineering	Design and Engineering readiness, procurement, and preparation for construction.	15	TBD
Construction	Agreement with proposed Major Construction Partner and tendering.	15	TBD
Construction	Construction at project site commenced and team, capital, and project ready for next phase.	20	TBD
Total		**100**	**TBD**[1]

[1] Assessment % not yet finalised and is scheduled to be completed by the end of Q2, 2024.

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 Group and individual STI KPIs set by the Board.

As at the date of this report the 2023 STI is in the process of being finalised. The Board is of the view that any payment of the 2023 STI be deferred until after the full capital funding of Muga is completed. An accrual equivalent to a 70% payout for the cost of the achievements of the STI KPIs for the year ended 31 December 2023 has been included in the financial statements for the year ended 31 December 2023.

Long Term Incentive Award

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. The options are assessed for vesting in equal instalments over three years. Employee retention has been identified as one of the key success factors for the Project and hence its use as a vesting condition.

Feature	Description
Structure	The total value of options granted is based on a percentage of fixed remuneration. This percentage is up to 85% for the CEO, up to 50% for other KMP and senior executives and up to 20% for other employees. The number of options granted is obtained 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). The final allocation for recipents other than the CEO is then assessed by the CEO and put forward to the Remuneration Committee for their review and then Board approval. The allocation to the CEO is determined by the Remuneration Committee and the Baord.
Option type	American options that can be exercised anytime between vesting and expiry.
Vesting conditions	Vesting conditions are primarily linked to the recipient's continuity as an employee of the Company at the time each tranche is assessed for vesting.
Performance hurdle	The performance hurdle is represented by the premium that must be achieved before options are in the money.
Exercise price	In order to provide an incentive linked to the longer term performance of the Company relative to the market, 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. In line with previous years, the premium for options granted during the year was 25%. However, due to changes in the share price between this VWAP and that at the grant date, the actual premium may be greater or less than 25%.
Forfeiture and Termination	Options lapse if not exercised during its option's life. Options are forfeited if a vesting condition is not met. Options are cancelled if the employee forgoes the option.

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 2023 are as below:

	Short term				Post-employment		Long term	
Year ended 31 December 2023	**Base Salary $**	**Fees $**	**STI Awards[1] $**	**Other Benefits[2] $**	**Super annuation $**	**Total $**	**Share-Based Payments[3] $**	**Perfor-mance related %**
Non-executive Directors								
Paul Harris	-	116,000	-	-	-	116,000	-	-
Pauline Carr	-	92,800	-	-	-	92,800	-	-
Roger Davey	-	75,400	-	-	-	75,400	-	-
Brian Jamieson (ceased 7 August 2023)	-	38,973	-	-	4,122	43,095	-	-
Luke Anderson (appointed 13 September 2023)	-	23,400	-	-	-	23,400	-	-
Executives								
Ignacio Salazar (CEO and MD)	740,305	-	403,469[1]	4,683	-	1,148,457	63,075[4]	41%
Javier Aguado (CFO)	130,869	-	38,024[1]	5,853	-	174,746	18,813	33%
	871,174	**346,573**	**441,493**	**10,536**	**4,122**	**1,673,898**	**81,888**	**40%**

[1] *The employees' STI relates to the accrued performance pay for services provided during 2023 which are normally paid at the beginning of 2024. However, Management has proposed that the 2023 STI award will be paid only after the funds to fully fund the construction of Muga are obtained.*

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

[3] *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.*

[4] *In addition to that disclosed above, on 13 December 2023, Mr. Salazar renounced on a voluntary basis 1,472,878 options corresponding to tranche 2 and 3 of the LTI 2022 plan. These are treated as a cancellation of options and require an acceleration of remaining expense through the income statement and included as part of total remuneration. At the time of cancellation, the options had a remaining expense of $202,253.*

Note: Management and staff of the company assumed a partial furlough scheme for two months in 2023 prior to obtaining the last significant construction permit for Muga. The Directors' fees were also reduced during this time to align with the temporary reductions to management's salaries.

Details of remuneration for the year ended 31 December 2022 are shown below:

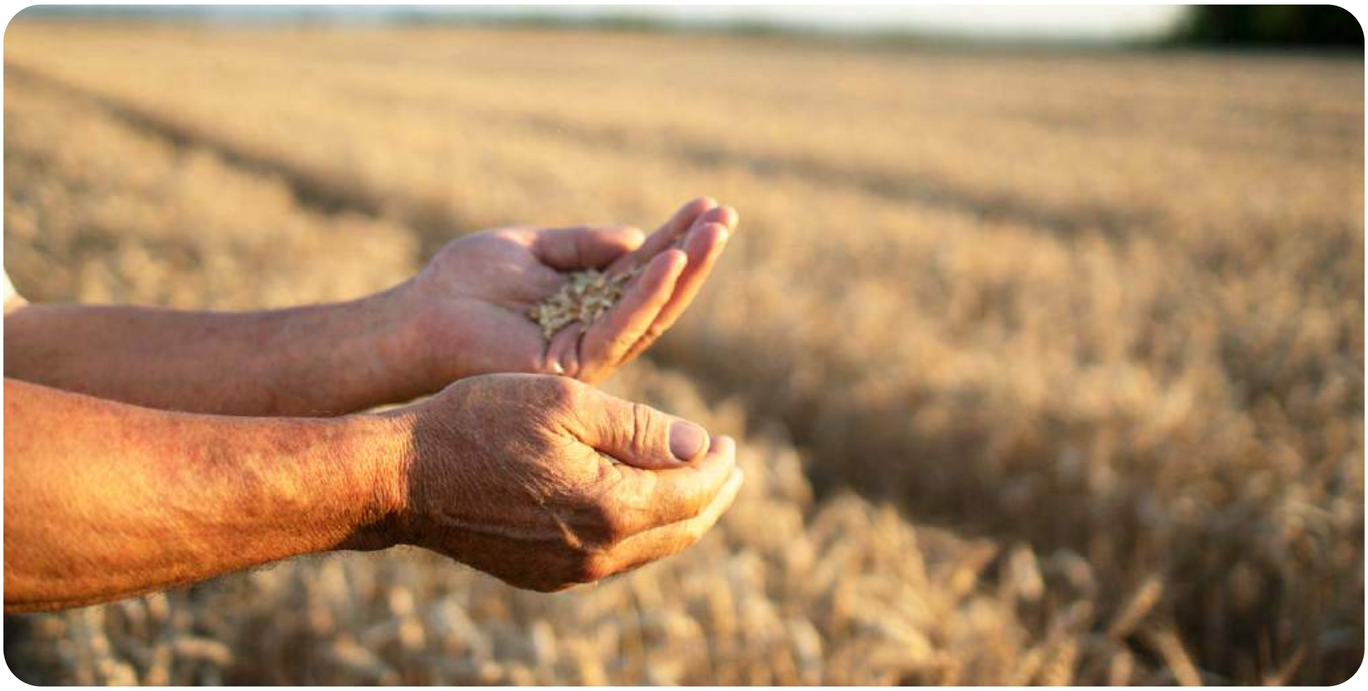
	Short term				Post-employment		Long term	
Year ended 31 December 2022	**Base Salary $**	**Fees $**	**STI Awards[1] $**	**Other Benefits[2] $**	**Super annuation $**	**Total $**	**Share-Based Payments[4] $**	**Perfor-mance related %**
Non-executive Directors								
Richard Crookes (resigned 24 March 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	74,427	-	-
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. However, management proposed that the 2022 STI award be paid after interim funding in June 2023. Mr. Salazar personally also offered the Company to postpone payment of his 2021 STI award as well until June 2023.*

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

[3] *Starting 1 January 2022 Mr. Aguado was 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.*



Shareholdings of Directors and Other Key Management Personnel

No shares were granted as remuneration during the year ended 31 December 2023.

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 2023	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					
Paul Harris (appointed 25 March 2022)	-	-	-	-	-
Pauline Carr	62,101	-	-	-	62,101
Roger Davey	9,251	-	-	-	9,251
Brian Jamieson (ceased 7 August 2023)	66,943	-	-	(66,943)	-
Luke Anderson (appointed 13 September 2023)	495,837	-	-	-	495,837
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. Jamieson 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 2023	Balance at the start of the period	Granted as compensation during the period	Expired during the period[1]	Exercised during the period	Other changes during the period[2]	Balance at the end of the period	Exercisable	Not exercisable
Non-executive Directors								
Paul Harris	1,000,000	-	-	-	-	1,000,000	1,000,000	-
Pauline Carr	1,000,000	-	(1,000,000)	-	-	-	-	-
Roger Davey	1,000,000	-	(1,000,000)	-	-	-	-	-
Brian Jamieson	1,000,000	-	(1,000,000)	-	-	-	-	-
Luke Anderson (appointed 13 September 2023)	-	-	-	-	40,322	40,322	40,322	-
Executives								
Ignacio Salazar (CEO and MD)	4,771,053	2,639,296	(333,333)	-	(1,472,878)	5,604,138	3,844,608	1,759,530
Javier Aguado (CFO)	300,174	270,000	(39,030)	-	-	531,144	298,782	232,362

[1] *Options expired during the year were granted in:*

May 2020 with an exercise price of $0.81;

June 2019 with an exercise price of $0.83;

June 2020 with an exercise price of $0.81; and

September 2020 with an exercise price of $0.47.

[2] *Other changes during the period represent an adjustment to exclude options held by Mr. Salazar pursuant to his voluntary renouncement of the options and the inclusion of Mr. Anderson's options upon his appointment as Director.*

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 2023 other than those disclosed above.

Options Affecting Remuneration

The terms and conditions of options granted during the year ended 31 December 2023 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
Executives									
Ignacio Salazar (CEO and MD)	30/06/23	879,766	31/12/26	$0.0210	$0.79	$18,475	879,766	$18,475	-
	30/06/23	879,765	31/12/27	$0.0770	$0.79	$67,742	-	$22,663	$45,079
	30/06/23	879,765	31/12/28	$0.1240	$0.79	$109,091	-	$21,937	$87,154
Javier Aguado (CFO)	30/06/23	90,000	31/12/26	$0.0210	$0.79	$1,890	90,000	$1,890	-
	30/06/23	90,000	31/12/27	$0.0770	$0.79	$6,930	-	$2,318	$4,612
	30/06/23	90,000	31/12/28	$0.1240	$0.79	$11,160	-	$2,244	$8,916
		2,909,296				**$215,288**	**969,766**	**$69,527**	**$145,761**

[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	Accounting Fair Value of Options	Cash received by Company if fully exercised
Ignacio Salazar (CEO and MD)	2,639,296	195,308	2,085,043
Javier Aguado (CFO)	270,000	19,980	213,300
	2,909,296	**215,288**	**2,298,343**

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 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 2023 Mr. Salazar's total fixed remuneration was €453,732 (A$740,305).

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 2023 Mr. Aguado's total fixed remuneration was €80,161 (A$130,869).

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 2023 (year ended 31 December 2022: nil).

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

The Company received 96.96% of votes in favour of its Remuneration Report for the financial year ended 31 December 2022 and received no specific feedback on its remuneration practices at the Annual General Meeting or throughout the period. The Company's Annual General Meeting was held on 30 May 2023.

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 2023	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Loss per share (cents)	(3.11)	(1.58)	(1.96)	(7.40)	(2.28)
Share price (at period end)	$0.33	$0.58	$0.90	$0.69	$0.68
Share price High for the reporting period	$0.69	$1.28	$0.91	$0.79	$1.01
Share price Low for the reporting period	$0.29	$0.57	$0.44	$0.26	$0.57

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
27 March 2024

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Note	31 December 2023 $	31 December 2022 $
Continuing operations			
Gain/(Loss) on foreign exchange		(34,600)	(136,452)
Listing and share registry expenses		(135,727)	(153,953)
Professional and consultants' fees	3	(1,928,608)	(947,856)
Director and employee costs		(3,274,134)	(2,391,652)
Share-based payments expense	20	(319,469)	(605,551)
Travel and accommodation		(130,452)	(171,743)
Donations		(81,862)	(21,379)
Depreciation	9	(26,274)	(18,507)
Other expenses	21	(1,462,633)	(1,375,327)
Fair value on convertible note		(1,210,184)	-
Interest expense on convertible note		(3,682,237)	-
Interest (paid)/received	22	170,857	33,067
Loss before income tax		**(12,115,323)**	**(5,789,353)**
Income tax expense	5	-	-
Net loss for the period		**(12,115,323)**	**(5,789,353)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		4,241,079	830,372
Other comprehensive income/(loss) for the period net of tax		**4,241,079**	**830,372**
Total comprehensive loss for the period		**(7,874,244)**	**(4,958,981)**
Loss per share			
Basic and diluted loss per share (cents)	6	(3.11)	(1.58)

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 2023

	Note	31 December 2023 $	31 December 2022 $
Current Assets			
Cash and cash equivalents	7	14,083,844	19,446,084
Other receivables	8	28,181,863	15,932,428
Total Current Assets		**42,265,707**	**35,378,512**
Non-Current Assets			
Other receivables	8	1,208,422	1,224,574
Property, plant and equipment	9	13,127,954	4,783,362
Deferred exploration and evaluation expenditure	10	147,313,513	126,574,416
Total Non-Current Assets		**161,649,889**	**132,582,352**
Total Assets		**203,915,596**	**167,960,864**
Current Liabilities			
Trade and other payables	11	16,896,675	8,715,405
Short term bank debt	12	9,889,127	11,323,884
Total Current Liabilities		**26,785,802**	**20,039,289**
Non-Current Liabilities			
Loans and borrowings		22,790,641	-
Derivative financial liability		8,017,843	-
Other non-current liabilities		3,026,635	198,843
Total Non-Current Liabilities	**13**	**33,835,119**	**198,843**
Total Liabilities		**60,620,921**	**20,238,132**
Net Assets		**143,294,675**	**147,722,732**
Equity			
Issued capital	14	206,740,655	203,613,937
Reserves	15	34,319,442	29,758,894
Accumulated losses	16	(97,765,422)	(85,650,099)
Total Equity		**143,294,675**	**147,722,732**

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 2023

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**

Year ended 31 December 2023	Issued capital $	Accumulated losses $	Share-based payments reserve $	Foreign exchange translation reserve $	Other reserves $	Total $
Balance at 1 January 2023	**203,613,937**	**(85,650,099)**	**26,459,354**	**3,298,540**	**1,000**	**147,722,732**
Total comprehensive loss for the period						
Loss for the period	-	(12,115,323)	-	-	-	(12,115,323)
Other comprehensive gain - foreign currency translation	-	-	-	4,241,079	-	4,241,079
Total comprehensive loss for the period	**-**	**(12,115,323)**	**-**	**4,241,079**	**-**	**(7,874,244)**
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Issue of securities	3,140,629	-	-	-	-	3,140,629
Exercised shares from share-based payment reserve	-	-	-	-	-	-
Cost of issue	(13,911)	-	-	-	-	(13,911)
Share-based payment	-	-	319,469	-	-	319,469
Balance at 31 December 2023	**206,740,655**	**(97,765,422)**	**26,778,823**	**7,539,619**	**1,000**	**143,294,675**

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 2023

	Note	31 December 2023 $	31 December 2022 $
Cash flows from operating activities			
Payments to suppliers and employees		(10,872,634)	(5,930,779)
Interest (paid)/received		152,816	25,689
Other receipts including GST/VAT received		810,702	1,904,221
Net cash used in operating activities	**7**	**(9,909,116)**	**(4,000,869)**
Cash flows from investing activities			
Purchase of plant and equipment		(951,307)	(2,889,597)
Payments for exploration and evaluation expenditure		(8,610,752)	(9,256,046)
Net cash used in investing activities		**(9,562,059)**	**(12,145,643)**
Cash flows from financing activities			
Proceeds from issue of securities		-	13,400,000
Proceeds from conversion of options		-	810,000
Payments for share issue costs		-	(737,000)
Payments of project finance fees		(11,566,518)	-
Proceeds from convertible note		26,070,098	-
Payments for convertible note		(154,036)	-
Net cash provided by financing activities		**14,349,544**	**13,473,000**
Net (decrease)/ increase in cash and cash equivalents		(5,121,631)	(2,673,512)
Cash and cash equivalents at the beginning of the period		19,446,084	22,241,425
Effect of exchange rate fluctuations on cash		(240,609)	(121,829)
Cash and cash equivalents at the end of the period	**7**	**14,083,844**	**19,446,084**

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 2023

1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield Resources", "Highfield" or "the Company") for the year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 26 March 2024.

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 Material Accounting Policies

a) Basis of Preparation and Compliance Statement

The principal accounting policies adopted in the preparation of the financial statements are set out in the notes to the accounts. These policies have been consistently applied to all the financial years presented unless otherwise stated. Accounting policies that are determined to be immaterial are not included in the financial statements.

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 except for, where applicable, the revaluation of financial liabilities at fair value through profit and loss and derivative financial instruments.

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

b) Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities including the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 31 December 2023, the Group had net assets of $143.3 million and cash and cash equivalents of $14.1 million, with a further cash injection of $7.6 million received in early 2024 from the proceeds of the convertible note issued in December 2023. The Group has no cash generating assets in operation.

Funds are nevertheless required to progress the Muga Project ("Muga") in Spain to ensure the continuing viability of the Group. While the funding of Muga was partially secured with the Project Finance facility (€320.6 million) and the equipment lease financing (€25 million), management is working with a number of strategic partners to secure the remaining funding for Muga.

At the date of signing the financial report, the remaining funding for Muga has not been confirmed although there are negotiations in progress at different stages of development. The Directors are of the view that these negotiations will keep progressing while at the same time other sources of funding might be obtained, such as further extensions of the convertible notes or raising additional funding through a Share Purchase Plan, to cover the cash flow requirements for the 12-month period from the date of approval of the financial statements.

These conditions indicate that there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") at 31 December 2023 and at 31 December 2022 in the comparative period.

Subsidiaries are 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 intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

d) Foreign Currency Translation

i) Functional and presentational currency

These Group's consolidated financial statements are presented in Australian dollars. 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.

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.

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. 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognized in Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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:

i) the rights to tenure of the area of interest are current; and

ii) at least one of the following conditions is also met:

a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

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

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

g) 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 and accumulated impairment loss. 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 over the depreciable amount, which is the cost of the asset, 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.

Depreciation and amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Income Tax

The income tax expense or revenue 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 in the tax jurisdictions where the Group's subsidiaries operate and generate taxable income. 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 arising between the tax base of assets and liabilities and their carrying amounts at the balance.

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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

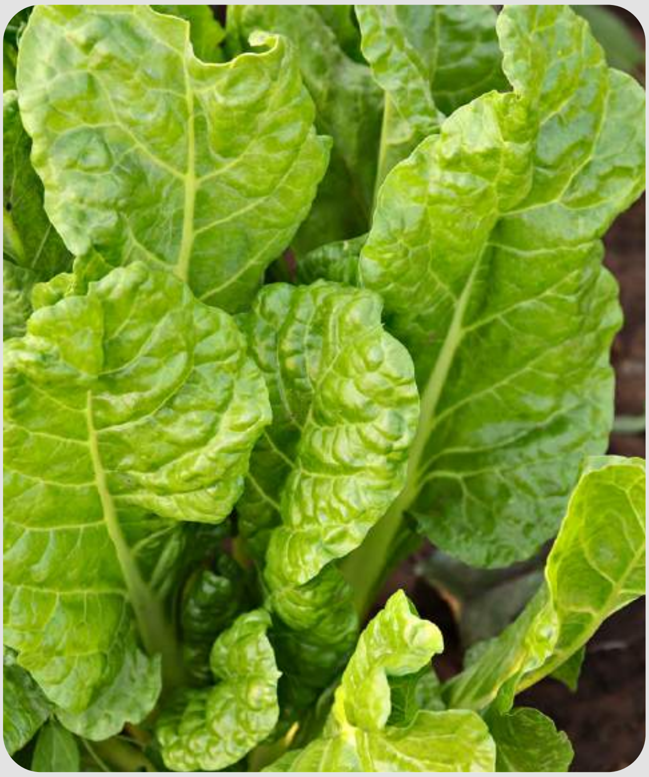
Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

i) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT, unless 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 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 taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are presented on a gross basis in the Consolidated Statement of Cash Flows, except for the GST/VAT component of investing and financing activities, which is receivable from or payable to the taxation authority, that is disclosed as operating cash flows.



j) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation are reviewed for impairment at least annually to determine if events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 to sell 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.

The carrying value of cash and cash equivalents is considered to approximate fair value.

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 represent liabilities for goods and services provided to the Group prior to the end of the financial year which 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.

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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

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 a finance cost.

Restoration provision

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

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on an annual basis. When the liability is initially recorded, the present value of the estimated future cost of settling the rehabilitation and restoration obligations is capitalised by increasing the carrying amount of the related property plant and equipment. Over time, the 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 accounted for prospectively from the date of the change and added to or deducted from the related rehabilitation asset, subject to recoverability. The unwinding of the discount is recorded as an accretion charge within finance costs.

The carrying amount is capitalised unless the costs incurred relate to an operation that does not have a future economic benefit, in which case the costs are expensed.

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.

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) Convertible Notes

Convertible notes are classified as a financial liability on the grounds they represent a contractual obligation that will be settled in the Company's own equity instruments. The notes are determined to contain a host debt and a conversion option. Conversion options that are assessed as derivatives are to be accounted for as liabilities but separately from the host instruments because the fair value of the conversion feature is affected by changes in the fair value of the underlying shares.

The initial carrying amount of the host debt instrument is the residual amount after separating the embedded derivative on the date the contract is entered into. The embedded derivative is measured at fair value at initial recognition, and the remaining residual amount is allocated to the debt host. For subsequent measurement, the host debt is measured at amortised cost using the effective interest method whereas the embedded derivative is subsequently measured at fair value through profit or loss at each reporting period.

Upon conversion of the convertible notes to ordinary shares, the carrying amount of the host liability (at amortised cost, updated to the date of conversion) together with the updated carrying amount of the derivative liability, is de-recognised and transferred to equity such that no gain or loss is recognised on settlement.

s) Critical Accounting Estimates and Judgements

The preparation of these financial statements and the application of accounting policies require 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.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the financial statements are:

Exploration and evaluation expenditure in the current developing phase and transition to development

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. Whilst technical feasibility of the Muga Mine Project has been duly proved and certified by the different consultants that have thoroughly reviewed the Project, commercial feasibility is subject to the Company raising sufficient equity funding, which as at the date of this report has not been yet achieved.

Asset impairment

The Group's key assets (Exploration and evaluation and Property, Plant and Equipment) are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. To test this the Company performed an analysis of its Muga related capitalised assets in accordance with paragraph 20 of AASB 6 to determine if there is any indication of impairment. The Group also takes account of AASB 136 "Impairment of Assets", whereby an impairment loss will be considered if a number of circumstances concur.

t) New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies Definition of Accounting Estimates.

u) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 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 2023 $	31 December 2022 $
Professional and consultants' fees		
Corporate advisory fees	(396,076)	(391,144)
Legal fees	(370,424)	(76,865)
Financial advisory fees	(1,017,843)	(373,568)
Other	(144,265)	(106,279)
	(1,928,608)	**(947,856)**

4. Auditors' Remuneration

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

	31 December 2023 $	31 December 2022 $
Amounts received or due and receivable by the parent auditor for:		
- an audit or review of the financial report	82,558	54,754
- 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	35,448	27,324
	118,006	**82,078**

5. Income Tax

a) Income tax expense

	31 December 2023 $	31 December 2022 $
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 2023 $	31 December 2022 $
Loss from continuing operations before income tax expense	(12,115,323)	(5,789,353)
Tax calculated at domestic tax rates applicable to profit/(losses) in the respective countries (Spain 28.0%, Australia 30.0%)	(3,514,690)	(1,671,969)
Non-deductible expenses	25,116	37,171
Net income tax (loss)/benefit not brought to account	3,489,574	1,634,798
Income tax expense	-	-

c) Deferred tax

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

	31 December 2023 $	31 December 2022 $
Net deferred tax asset not recognised	**19,737,331**	**17,737,983**

d) Unused tax losses

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

	31 December 2023 $	31 December 2022 $
Unused tax losses	**53,955,667**	**43,504,420**

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 2023 $	31 December 2022 $
Loss used in calculating basic and diluted EPS	(12,115,323)	(5,789,353)

	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share	389,982,788	365,436,339
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	389,982,788	365,436,339
Basic and diluted loss per share (cents)	**(3.11)**	**(1.58)**

The 29,737,486 options outstanding at 31 December 2023 (18,931,052 owned by KMP and employees), (31 December 2022: 35,820,051 options, 25,013,617 owned by KMP and employees) 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 materially change the number of ordinary shares or potential ordinary shares outstanding between 31 December 2023 and the date of completion of these financial statements.

7. Cash and Cash Equivalents

	31 December 2023 $	31 December 2022 $
Reconciliation of cash		
Cash at bank	14,083,844	19,446,084
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(12,115,323)	(5,789,353)
Non-cash and non-operating items in operating loss after tax:		
Share-based payments	319,469	605,551
Net loss/(gain) on foreign exchange	34,600	136,452
Depreciation	26,274	18,507
Accrued interests not paid	(18,041)	(7,378)
Finance expense on convertible note	4,892,421	-
Change in assets and liabilities		
(Increase)/Decrease in trade and other receivables	59,191	490,382
(Decrease)/Increase in trade and other payables	(3,107,707)	544,970
Net cash used in operating activities	**(9,909,116)**	**(4,000,869)**

8. Other Receivables

	31 December 2023 $	31 December 2022 $
Current		
GST receivable	76,415	106,588
VAT receivable	206,691	151,730
Deposits	651	1,025
Prepaid expenses	27,898,106	15,673,085
	28,181,863	**15,932,428**
Non-current		
Guarantees	1,208,422	1,224,574
	1,208,422	**1,224,574**

GST/VAT receivable 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, 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 2023 $	31 December 2022 $
Prepaid expenses		
Banks' upfront fees	11,731,176	11,320,266
Banks' commitment fees[1]	9,889,127	-
Agent fees	637,372	-
Legal fees	826,772	915,893
Financial advisor success fees	3,001,366	2,896,237
Due diligence costs	1,812,293	540,689
	27,898,106	**15,673,085**

[1] This amount has not yet been paid. Refer to the note 12.

9. Property, Plant and Equipment

	31 December 2023 $	31 December 2022 $
Cost	13,779,758	5,396,519
Accumulated depreciation and impairment	(651,804)	(613,157)
Net carrying amount	**13,127,954**	**4,783,362**
Movements in Property, Plant and Equipment		
Opening balance	4,783,362	60,499
Additions	8,199,165	4,768,403
Net exchange differences on translation	171,701	(27,033)
Depreciation charge for the period	(26,274)	(18,507)
Closing balance	**13,127,954**	**4,783,362**

Additions to Property, Plant and Equipment represent the amount of the Construction Tax payable to the townhall of Sangüesa.

10. Deferred Exploration and Evaluation Expenditure

	31 December 2023 $	31 December 2022 $
Exploration and Evaluation phase - at cost		
Opening balance	126,574,416	118,384,403
Exploration and evaluation expenditure incurred during the period	16,397,459	7,679,672
Net exchange differences on translation	4,341,638	510,341
Closing balance	**147,313,513**	**126,574,416**

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.

Exploration and evaluation assets are assessed for impairment if sufficient data and circumstances suggest that the carrying amount exceeds the recoverable amount. Any impairment loss is recognised through the Profit and Loss account. 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 2023 $	31 December 2022 $
Trade payables	9,149,545	2,519,996
Other payables	-	11,976
Accruals	7,747,130	6,183,433
	16,896,675	**8,715,405**

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. Financing Liabilities

	31 December 2023 $	31 December 2022 $
Commitment fees	9,889,127	-
Upfront fees	-	11,323,883
	9,889,127	**11,323,883**

Financing liabilities refer to the fees payable to the banks that participate in the Project financing for Muga.

Commitment fees are accrued since execution of the Financial Agreement on 22 December 2022 and are calculated applying a certain rate on the lenders' available commitment to date.

Upfront fees accrued at 31 December 2022 amounting up to 2.25% on the total amount of the Facility were due within 90 days of signing the Financial Agreement on 22 December 2022. These fees were paid during the year ended 31 December 2023.

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 2023 $	31 December 2022 $
Host debt component – Convertible Note	22,790,641	-
Derivative financial liability – Conversion Option	8,017,843	-
Restoration provision	215,468	198,843
Other non-current liabilities	2,811,167	-
	33,835,119	**198,843**

On 22 May 2023 the Group entered into a Convertible Note agreement with EMR and Tectonic Investment Management. The agreement with a maturity date of 24 months consisted of the issuance of 1,938 notes (arrangement fee at 2% added to the original 1,900 notes instead of being paid in cash at conversion date) bearing an interest rate of 14% annually. The interest will be paid in kind via an addition to the convertible notes amount and will mandatorily be converted into fully paid ordinary shares in the Company before the first drawdown of the €320.6 million senior loan facility secured with a group of European banks to fund the Muga Project.

A further US$6 million (A$8.9 million) investment was secured in December 2023 in the form of convertible notes issued on similar contractual terms to the previous issuance in May 2023. The same strategic investors plus another institutional investor were the lenders. As of 31 December 2023, proceeds from the notes owned by the institutional investor had been received and hence, 102 notes were issued. Proceeds from the remaining 612 notes were received in early 2024.

The Convertible Note has been determined to contain a host debt and a conversion option. Where borrowings include a conversion option, the portion of the proceeds that relate to the fair value of the conversion option are recognised as an embedded derivative.

For determining the initial fair value of the conversion option, a Black-Scholes option pricing method was used with the following assumptions:

Options issued in May 2023:

a) conversion option price of $0.515;

b) share price at inception of $0.560;

c) expected volatility of 45%;

d) convertible note term of 2 years; and

e) a risk free interest rate of 3.33%.

Options issued in December 2023:

a) conversion option price of $0.315;

b) share price at inception of $0.330;

c) expected volatility of 50%;

d) convertible note term of 2 years; and

e) a risk free interest rate of 3.90%.

The initial carrying amount of the host instrument is the residual amount after separating the embedded derivative on the date the contract is entered into. The embedded derivative is measured at fair value at initial recognition, and the remaining residual amount is allocated to the debt host. For subsequent measurement, the host debt is measured at amortised cost using the effective interest method; and the embedded derivative is subsequently measured at fair value through profit or loss at each reporting period.

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 been raised which reflects the estimated rehabilitation and restoration costs existing at the 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 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 2023 $	31 December 2022 $
Issued and fully paid	206,740,655	203,613,937

b) Movements in ordinary shares on issue

	31 December 2023		31 December 2022	
	Number of shares	$	Number of shares	$
Opening balance	387,042,791	203,613,937	364,429,887	190,014,905
Shares issued[1]	5,140,942	3,140,629	21,612,904	13,400,000
Shares issued upon conversion of unlisted options[1]	-	-	1,000,000	810,000
Employee share options exercised	-	-	-	63,600
Transaction costs on share issue	-	(13,911)	-	(674,568)
	392,183,733	**206,740,655**	**387,042,791**	**203,613,937**

[1] **December 2023**

- 5,140,942 ordinary shares were issued during the year ended 31 December 2023 to settle the success fees charged by the Company's financial advisor following the execution of the Senior Debt Facility Agreement.

[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. The issuance of shares included the issue of 10,806,434 unlisted free options to investors exercisable at $0.93 per option. Each option entitles the holder to one ordinary share in the Company. These options are exercisable in whole or in part at any time during the period commencing on the date of grant (19 December 2022) and expiring on 16 June 2024.
- 1,000,000 shares were issued upon conversion of unlisted options exercisable at $0.81, expiring on 30 June 2023.

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 $142,999,637 at 31 December 2023. 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 2023 $	31 December 2022 $
Share-based payments reserve	26,778,823	26,459,354
Foreign exchange translation reserve	7,539,619	3,298,540
Other reserves	1,000	1,000
	34,319,442	**29,758,894**
Movements in reserves		
Share-based payments reserve		
Opening balance	26,459,354	25,917,403
Share-based payments expense	319,469	605,551
Options exercised	-	(63,600)
Closing balance	**26,778,823**	**26,459,354**

The share-based payment reserve is used to record the fair value of options 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 2023.

Foreign exchange translation reserve		
Opening balance	3,298,540	2,468,168
Foreign exchange translation difference	4,241,079	830,372
Closing balance	**7,539,619**	**3,298,540**

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 are used to record the amount received on the issue of unlisted options.

16. Accumulated Losses

	31 December 2023 $	31 December 2022 $
Movements in accumulated losses were as follows		
Opening balance	(85,650,099)	(79,860,746)
Loss for the period	(12,115,323)	(5,789,353)
Closing balance	**(97,765,422)**	**(85,650,099)**

17. 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 2023 $	31 December 2022 $
Short term employee benefits	1,669,776	1,537,321
Share-based payments	284,141	303,101
Post-employment	4,122	6,927
Total	**1,958,039**	**1,845,349**

Key management personnel are defined as those persons having 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.

18. Related Party Disclosures

a) Key management personnel

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

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 2023**	**31 December 2022**
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 Group will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to settle its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group also manages liquidity risk by producing regular cash flow forecasts to ensure that there is a clear and up-to-date view of the short to medium term funding requirements and the sources of those funds. Alternatives for sourcing future capital needs include 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 Group aims to maintain 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 2023, the Company has sufficient liquid assets to meet its financial obligations. The responsibility for liquidity risk management rests with the Board of Directors.

Maturity analysis for financial liabilities

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

b) Interest Rate Risk

Interest rate risk arises from the Group's cash and cash equivalents earning interest at variable rates. The Group manages this risk by investing in short term deposits where appropriate.

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 2023, the variable interest rate exposure of the Group was:

	31 December 2023 $	31 December 2022 $
Interest bearing financial instrument		
Cash at bank or at hand	14,083,844	19,446,084

The Company holds substantially all of its cash and cash equivalents in Euros and Australian dollars. In the year ended 31 December 2023 interest earned on Euros balances totaled €11,000 whereas interest earned on Australian dollar balances were $152,815. In the year ended 31 December 2022, $33,067 was earned due to the positive impact of the interest rate values.

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 1.35% whereas the Euro interest rate is at 1.75%.

Based on the Group's interest-bearing financial instruments held as at 31 December 2023, if interest rates had increased or decreased by 75 basis points from the year end rates, with all other variables held constant, profit and loss and equity for the year would have increased (decreased) by the amount shown below. The analysis was performed on the same basis for 2022.

	Effect on Post Tax Loss ($) (Increase)/decrease		Effect on Equity incl. accumulated losses ($) Increase/(decrease)	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Increase 75 basis points	105,629	145,846	105,629	145,846
Decrease 75 basis points	(105,629)	(145,846)	(105,629)	(145,846)

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 Consolidated Statement of Financial Position.

The Company holds financial instruments with credit worthy third parties. At 31 December 2023, 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 2023.

d) Foreign Currency Risk

The Group undertakes certain transactions denominated in currencies other than the functional currency of the Group, 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 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Euro	26,493,812	19,871,361	1,105,777	2,910,931
US dollars	-	-	15	-
GB pounds	-	-	-	-
Total	**26,493,812**	**19,871,361**	**1,105,792**	**2,910,931**

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 2023		
Profit or loss	-	-
Translation Reserve	(2,820,891)	2,308,002
31 December 2022		
Profit or loss	-	-
Translation Reserve	(1,884,493)	1,553,526

e) Fair Value

The carrying amounts of current receivables and current payables are considered to be a reasonable approximation of their fair value.

i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements	Note	Level 1	Level 2	Level 3	Total
At 31 December 2023					
Financial liabilities		-	-	-	-
Derivative – Conversion option	13	-	8,017,843	-	8,017,843
Total financial liabilities			**8,017,843**	**-**	**8,017,843**

Recurring fair value measurements	Note	Level 1	Level 2	Level 3	Total
At 31 December 2022					
Financial liabilities		-	-	-	-
Derivative – Conversion option	13	-	-	-	-
Total financial liabilities			**-**	**-**	**-**

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- for Derivative - Conversion options – option pricing models (e.g. Black-Scholes model)

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 2023 $	31 December 2022 $
Options issued during the period	127,003	409,286
Options issued in prior periods	192,466	196,265
	319,469	**605,551**

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 2023:

Grant Date	Expiry date	Exercise price	Number at start of the period	Granted during the period	Exercised during the period	Cancelled or forfeited during the period	Number at end of the period	Exercisable at end of the period
30/06/2023	31/12/2026	$0.79	-	879,766[1]	-	-	879,766	879,766
30/06/2023	31/12/2027	$0.79	-	879,765[2]	-	-	879,765	-
30/06/2023	31/12/2028	$0.79	-	879,765[3]	-	-	879,765	-
30/06/2023	31/12/2026	$0.79	-	90,000[4]	-	-	90,000	90,000
30/06/2023	31/12/2027	$0.79	-	90,000[5]	-	-	90,000	-
30/06/2023	31/12/2027	$0.79	-	90,000[6]	-	-	90,000	-
30/06/2023	31/12/2026	$0.79	-	801,668[7]	-	(15,000)	786,668	786,668
30/06/2023	31/12/2027	$0.79	-	801,666[8]	-	-	801,666	-
30/06/2023	31/12/2028	$0.79	-	801,666[9]	-	-	801,666	-
				5,314,296	**-**	**(15,000)**	**5,299,296**	**1,756,434**

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

[2] 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.

[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 2025.

[4] Options granted to the Chief Financial Officer. The options vested on satisfaction of the recipient's continued employment vesting condition at 31 December 2023.

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

[6] Options granted to the Chief Financial Officer. The options will vest on satisfaction of the recipient's continued employment vesting condition at 31 December 2025.

[7] Options granted to other employees. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2023.

[8] Options granted to other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2024.

[9] Options granted to other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2025.

The model inputs for options granted during the year ended 31 December 2023 included:

a) options were granted for no consideration;

b) expected lives of the options range from 3.5 to 5.5 years;

c) share price at grant date of $0.545 (30 Jun 2023);

d) expected volatility at 50%;

e) expected dividend yield of Nil; and

f) a risk free interest rate from 3.98%.

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 or forfeited 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]	-	-	815,323	-
				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.

[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.

[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.

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%.

As at the date of this report there were 18,931,052 unissued ordinary shares under options owned by Group NEDs and employees.

The details of the options are as follows:

Number	Exercise Price $	Expiry Date
1,622,191	$0.83	31 December 2024
1,272,056	$0.81	31 December 2024
333,333	$0.47	31 December 2024
1,819,812	$0.865	31 December 2024
1,000,000	$1.07	30 June 2025
1,155,357	$0.81	31 December 2025
333,334	$0.47	31 December 2025
1,568,148	$0.865	31 December 2025
780,667	$0.94	31 December 2025
736,440	$0.94	31 December 2025
1,414,430	$0.865	31 December 2026
780,665	$0.94	31 December 2026
1,756,434	$0.79	31 December 2026
815,323	$0.94	31 December 2027
1,771,431	$0.79	31 December 2027
1,771,431	$0.79	31 December 2028
18,931,052		

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

Other than this, there are 10,806,434 additional vested options available for the investors that participated in the equity raise carried out in December 2022 exercisable at A$0.93 and expiring on 16 June 2024.

The following options were issued during the financial year:

- 1,771,434 options with an exercise price of $0.79, expiring on 31 December 2026.
- 1,771,431 options with an exercise price of $0.79, expiring on 31 December 2027.
- 1,771,431 options with an exercise price of $0.79, expiring on 31 December 2028.

The following options forfeited during the financial year:

- 99,934 options with an exercise price of $0.865, expiring on 31 December 2026.
- 34,667 options with an exercise price of $0.94, expiring on 31 December 2026.
- 15,000 options with an exercise price of $0.79, expiring on 31 December 2026.

The following options were cancelled during the financial year:

- 736,439 options with an exercise price of $0.94, expiring on 31 December 2026.
- 736,439 options with an exercise price of $0.94, expiring on 31 December 2027.

The following options lapsed during the financial year:

- 6,000,000 options with an exercise price of $0.81, expiring on 30 June 2023.
- 1,818,171 options with an exercise price of $0.83, expiring on 31 December 2023.
- 1,470,965 options with an exercise price of $0.81, expiring on 31 December 2023.
- 333,333 options with an exercise price of $0.47, expiring on 31 December 2023.
- 29,548 options with an exercise price of $0.81, expiring on 31 December 2024.
- 26,837 options with an exercise price of $0.81, expiring on 31 December 2025.
- 39,674 options with an exercise price of $0.865, expiring on 31 December 2024.
- 34,187 options with an exercise price of $0.865, expiring on 31 December 2025.
- 21,667 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 2023		31 December 2022	
	Average exercise price per share option	**Number of options**	**Average exercise price per share option**	**Number of options**
Opening balance	$0.886	25,013,617	$0.855	24,962,030
Granted	$0.790	5,314,296	$0.963	5,655,307
Exercised	-	-	$0.81	(1,000,000)
Forfeited	$0.875	(149,601)	-	-
Cancelled	$0.940	(1,472,878)	$0.84	(382,550)
Lapsed	$0.803	(9,774,382)	$0.83	(4,221,170)
	$0.898	**18,931,052**	**$0.886**	**25,013,617**
Vested and exercisable at year end	$0.850	14,572,867	$0.83	20,395,720

The weighted average remaining contractual life of options outstanding at end of period is 2.47 years.

21. Other Expenses

	31 December 2023 $	31 December 2022 $
Advertising and Promotion	86,697	74,363
Computer and Software Expenses	121,120	152,823
Subscriptions and Memberships	77,486	66,160
Investor Relations	132,781	114,046
Projects costs	1,797	37,715
Insurances	667,510	655,781
Rents	249,755	205,465
Other administration expenses	125,487	68,974
	1,462,633	**1,375,327**

22. Geographic Segment Analysis

a) Net interest (paid)/received

	31 December 2023 $	31 December 2022 $
Australia	152,815	33,067
Spain	18,042	-
	170,857	**33,067**

b) Non-current Assets

	31 December 2023 $	31 December 2022 $
Australia	-	-
Spain	161,649,889	132,582,352
	161,649,889	**132,582,352**

23. Events after the Reporting Period

The Extraordinary General Meeting held on 9 February 2024 approved the issue of convertible notes to EMR.

As reported on 11 March 2024 (refer ASX release 11 March 2024, "Highfield signs contract for the construction of the declines at Muga potash project"), the Company signed the agreement to construct the declines and underground mining infrastructure with the Portuguese/Spanish joint venture, EPOS-TUNELAN for a total cost of €48 million, in line with the recent feasibility study. Works will commence in H1, 2024 upon completion of funding and Final Investment Decision.

24. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 31 December 2023 (December 2022: Nil).

25. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2023 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 2023.

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 190 community projects.

27. Commitments

At 31 December 2023, 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 2023 amounted to approximately $89.0m. Of this amount approximately $87.2m will only become commitments once Notices to Proceed are issued to equipment suppliers, which will only occur once both permitting and financing have 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 $0.3m.

28. Parent Entity Information

The following information relates to the parent entity, Highfield Resources Limited, at 31 December 2023 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 2023 $	31 December 2022 $
Current assets	13,580,627	19,321,819
Non-current assets	160,519,485	128,370,659
Total assets	**174,100,112**	**147,692,478**
Current liabilities	(291,991)	(167,927)
Non-current liabilities	(30,808,484)	-
Total liabilities	**(31,100,475)**	**(167,927)**
Net assets	**142,999,637**	**147,524,551**
Issued capital	206,740,655	203,613,937
Reserves	26,779,823	26,460,354
Accumulated losses	(90,520,841)	(82,549,740)
Total Equity	**142,999,637**	**147,524,551**

	31 December 2023 $	31 December 2022 $
Loss of the parent entity	(7,971,101)	(5,044,119)
Other comprehensive income for the period	-	-
Total comprehensive loss of the parent entity	**(7,971,101)**	**(5,044,119)**

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 2023 are in accordance with the Corporations Act 2001, including:

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

   ii) giving a true and fair view of the Group's financial position as at 31 December 2023 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

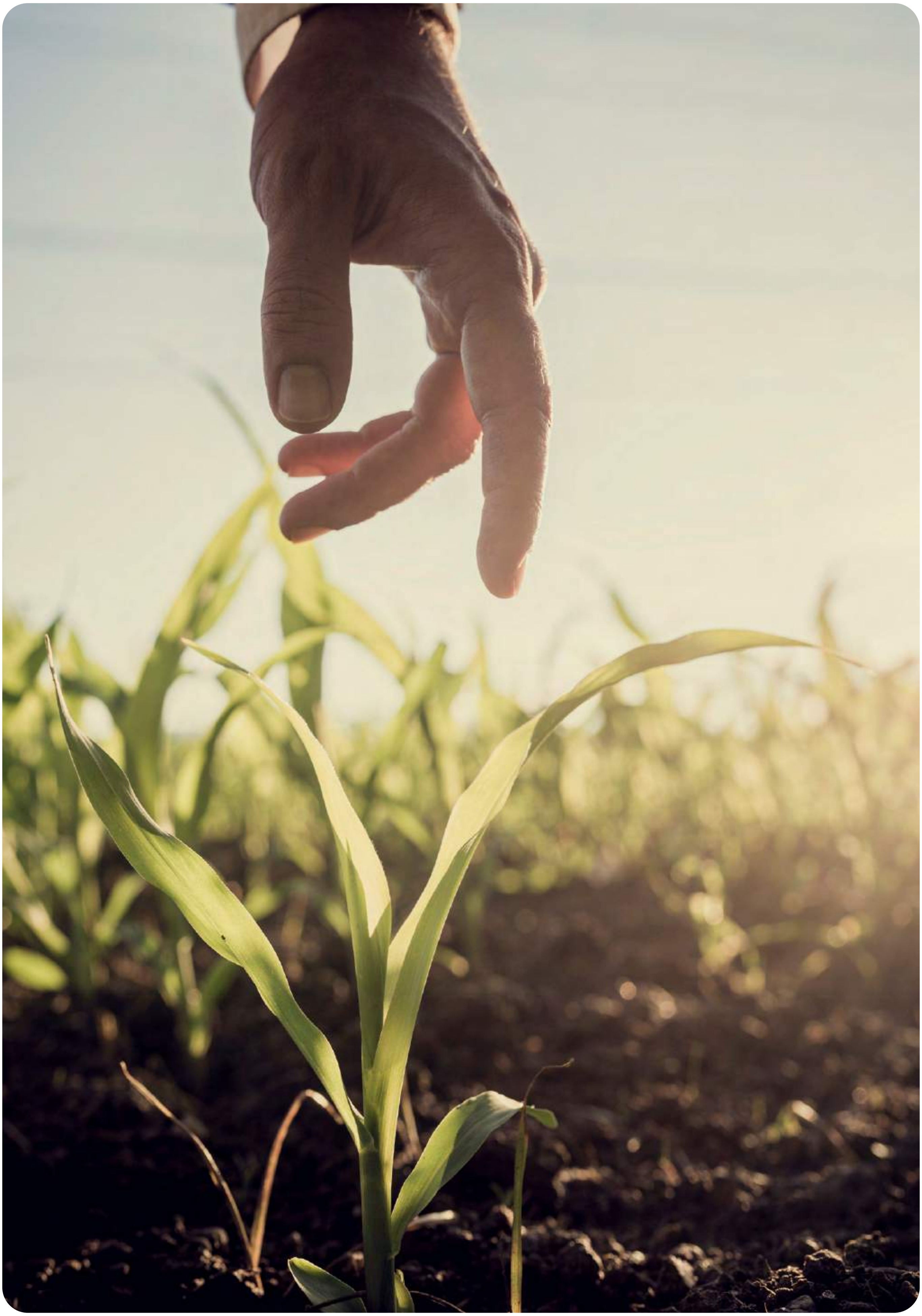
c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

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 2023.

On behalf of the Board

Paul Harris
Independent Non-Executive Chairman

Adelaide, Australia
27 March 2024



Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Highfield Resources Limited for the year ended 31 December 2023, 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
27 March 2024

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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 2023 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 2023
- 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, including material accounting policy information 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.

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Independent auditor's report - Highfield Resources Limited (continued)

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the continuing viability of the Group is dependent on further funds to progress the Muga project. This condition, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Audit scope	*Key audit matters*
• Our audit included assessing the financial statements for risks of material misstatement based on quantitative and qualitative assessment of Highfield's operations and activities. • 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.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Carrying value of deferred exploration and evaluation expense • These are further described in the *Key audit matters* section of our report, except for the matter which is described in the *material uncertainty related to going concern* section.

Independent auditor's report - Highfield Resources Limited (continued)

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.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of deferred exploration and evaluation expense *(Refer to note 10) $147,313,513* 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 have 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 2023 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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter(s) described below to be the key audit matters to be communicated in our report.

pwc Independent auditor's report - Highfield Resources Limited (continued)

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 2023, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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.

Independent auditor's report - Highfield Resources Limited (continued)

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2023.

In our opinion, the remuneration report of Highfield Resources Limited for the year ended 31 December 2023 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
27 March 2024

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 5 March 2024.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	315	152,230
1,001 - 5,000	765	2,258,610
5,001 - 10,000	584	4,739,479
10,001 - 100,000	1,118	40,653,200
100,001- and over	331	344,380,214
TOTAL	**3,113**	**392,183,733**

There were 369 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	26.5
WWB INVESTMENTS PTY LTD	34,620,000	8.8
BNP PARIBAS NOMINEES PTY LTD	27,524,851	7.0
HSBC CUSTODY NOMINEES	20,864,746	5.3
BCI MINERALS LIMITED	10,000,090	2.5
DEREK CARTER & CARLSA CARTER	7,721,504	2.0
ELEMENT AU SMSF PTY LTD	6,102,095	1.6
EDDINGTON, DANIEL & JULIE	3,782,000	1.0
CITICORP NOMINEES PTY LIMITED	3,655,313	0.9
PETER DAVID FERGURSON PTY LTD	3,432,023	0.9
BALL, CRAIG & SUSANNE	3,100,000	0.8
CELTIC CAPITAL PTE LTD	3,000,000	0.8
JONERIC PTY LTD	2,701,076	0.7
WHITING, MICHAEL ANDREW & TRACEY ANNE	2,645,425	0.7
MR. ANDREW BYRNES DOBLE	2,550,000	0.7
CARINYA INVESTMENTS (QLD) PTY LTD	2,327,692	0.6
WOOTOONA INVESTMENTS PTY LTD	2,150,538	0.5
CRX INVESTMENTS PTY LTD	2,000,000	0.5
DORICA NOMINEES PTY LTD	2,000,000	0.5
KANBAH PTY LTD	2,000,000	0.5
	246,216,228	**62.8**

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 5 March 2024.

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	26.53%
Ordinary Shares	Various holders	WWB Investments Pty Ltd[1]	08/11/2017	34,620,000	8.83%
Ordinary Shares	BCI Minerals Ltd	Seven Group Holdings (SGH) Ltd[1]	18/11/2021	10,000,090	2.55%

[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 5 March 2024 of 392,183,733.

Substantial Unlisted Options

Class	Number	Holders with more than 20%
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	1,819,812	Ignacio Salazar 591,803 options;
Options over ordinary shares exercisable at $0.865 on or before 31 December 2025	1,568,148	Ignacio Salazar 509,961 options;
Options over ordinary shares exercisable at $0.865 on or before 31 December 2026	1,414,430	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	1,517,107	Ignacio Salazar 736,440 options;
Options over ordinary shares exercisable at $0.79 on or before 31 December 2026	1,756,434	Ignacio Salazar 879,766 options;
Options over ordinary shares exercisable at $0.79 on or before 31 December 2027	1,771,431	Ignacio Salazar 879,765 options;
Options over ordinary shares exercisable at $0.79 on or before 31 December 2028	1,771,431	Ignacio Salazar 879,765 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

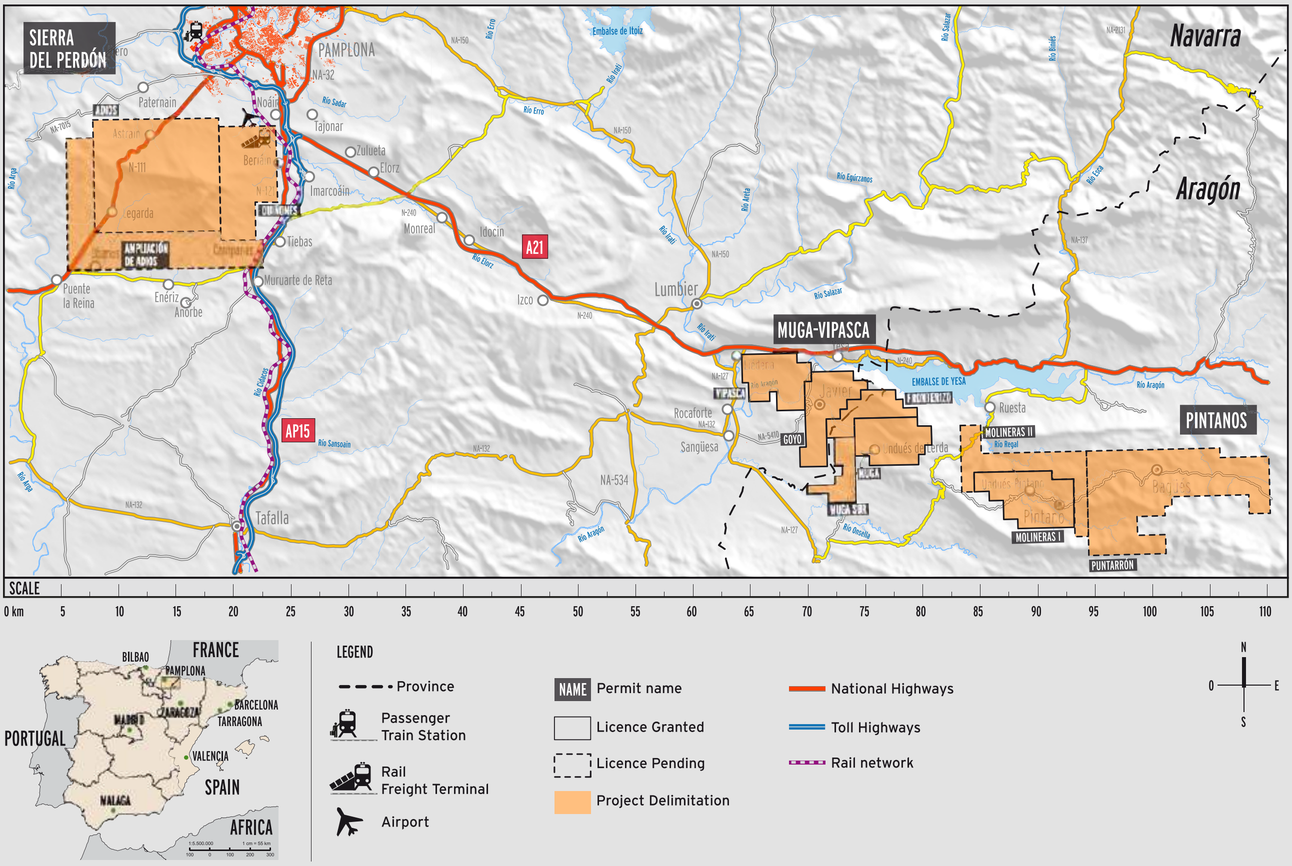
In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the year ended 31 December 2023.

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 SLU	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	3502	9.00	Geoalcali SLU	100%
Muga	Aragón	Muga	Concession	29/05/2013	01/07/2021	3500	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 the Ore Reserve reported with an effective date 31 October 2021, is based on information prepared by Dr. Mike Armitage. Dr. Mike Armitage is the Competent Person ("CP") who assumed overall professional responsibility for the Ore Reserve reported at that time. The information related with the review of the Life of Mine ("LOM") that underpins the October 2021 Ore Reserve was prepared by Mr. Chris Bray, who was, and remains, a full-time employee of and Principal Consultant (Mining) at SRK. The information in this update that relates to the Mineral Resources with the effective date of 31 December 2020 is based on information prepared by Ms. Anna Fardell, a Senior Consultant at SRK Consulting (UK) Limited at that time.

Dr Mike Armitage is a Member the Institute of Materials, Minerals and Mining ("IMMM") which is a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the Australian Stock 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 update of the matters based on the information upon which the October 2021 Ore Reserve is based in the form and context in which it appears.

Mr. Chris Bray BEng, MAusIMM (CP) takes responsibility for the review of the LOM plan that underpins the October 2021 Ore Reserve. Mr. Bray is a full-time employee and Principal Consultant (Mining) at SRK. He is a member of and 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 CP 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.

Ms. Anna Fardell was a Senior Resource Geologist employed by SRK as of the effective date for the December 2020 Mineral Resource estimate, and at that time had over five years' experience in estimating and reporting Mineral Resources relevant to the style of mineralisation and type of deposit described herein. Ms. Fardell is a registered member of the Australian Institute of Geoscientists (6555) and considered a Competent Person (CP) under the definitions and standards described in the JORC Code 2012. Ms. Fardell takes responsibility for the Mineral Resource Statement and Exploration Target presented here and consents to the inclusion in this update of the matters based on their 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 Gonzalez Roldán consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.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