Annual Report

31 December 2024

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. Luke Anderson
Non-Executive Director

Company Secretary

Ms. Katelyn Adams

Registered Office & Principal Place of Business

169 Fullarton Road
DULWICH, SA 5065

Telephone +61 8 8133 5000

Facsimile +61 8 8431 3502

Website highfieldresources.com.au

Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY, NSW 2000

Website automicgroup.com.au

Auditor

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

Telephone +61 8 8218 7000

Facsimile +61 8 8218 7999

Stock Exchange

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

ASX Code HFR

Chairman's Letter

Dear Shareholders,

I am pleased to present the Chairman's Letter for Highfield Resources Limited for what has been a transformational year for the Company, in which we announced a Transaction intended to create a new globally diversified potash company.

Project Update

At our flagship Muga Project, we signed the construction contract for the declines and underground mining infrastructure with EPOS-TUNELAN in March 2024, followed by the signing of the contract for the civil works with Acciona Construcción in April 2024. The contract costs are in line with estimates in the Updated Muga Feasibility Study of 7 November 2023. The signing of these contracts means Muga is construction ready and expected to be fully funded following completion of the Transaction.

Transaction

Highfield entered into a non-binding Letter of Intent with Yankuang Energy Group Co., Ltd (Yankuang Energy) in July 2024, and following a period of due diligence, binding agreements were signed with Yankuang Energy and a number of strategic investors in September 2024. The Transaction comprises the raising of US$220 million in equity capital from Yankuang Energy and the strategic investors, and the inter-conditional acquisition from Yankuang Energy of the Southey potash project in Saskatchewan, Canada.

The Board and management of Highfield have been diligently working through the approval process for the Transaction and on 20 March 2025 the Transaction received the approval of Highfield's shareholders at an Extraordinary General Meeting. The approval from the Company's shareholders is an important milestone for the Transaction and we look forward to keeping shareholders updated as we progress toward completion.

Thank you

The Transaction is a transformational step for Highfield, intending to establish, with the addition of Southey, a leading pure play potash company with a diversified portfolio of projects in tier-1 jurisdictions underpinned by strong ESG credentials. In getting Highfield to this juncture, I would like to thank my fellow Board members, and special thanks to Roger Davey who retired from the Board after close to seven years of service, the management team led by Ignacio Salazar, and our hardworking employees for their dedication throughout the year. I would also like to pass on my gratitude to our shareholders for their loyalty and continued support.

Paul Harris
Chairman

28 March 2025


Mina Muga

Chief Executive Officer's Letter

Dear Shareholders:

An immense amount of work and perseverance has gone into advancing Muga through its permitting and financing phases. We have achieved the grant of more than 40 permits, have had 15 public consultations and more than 80 satisfactory technical reports from administrations. A permitting process, which we know it is not easy in Spain, has been managed by achieving an unprecedented level of support in the community and in the government.

After reviewing many opportunities, in September 2024 we achieved what was clearly a significant and exceptional deal with Yankuang Energy Group, Beijing Energy International, and Taizhong Global Development. With this deal, we are not only fully funding Muga but also transforming the Company into a global player in the potash sector though the acquisition of the Southey potash project in Saskatchewan, Canada. This is being achieved in a global landscape that has become increasingly intricate, with added complexity in Europe, North America and China, to name a few jurisdictions involved in the Transaction. Most of the effort since signing the documentation to proceed have gone into securing the approvals in each of these jurisdictions.

In the meantime, while we have continued to preserve cash, the Company has advanced all possible tasks to get the project ready to start the bulk of the construction, and sometimes even harder, has kept the project in good standing to allow construction to start again as soon as the funding is completed. To optimize project implementation, we secured a fixed-price contract with Acciona for civil works and EPOS-TUNELAN for ramp construction, ensuring high-quality and timely delivery.

Amid these endeavors, I wish to extend my deepest gratitude to all stakeholders. To our exceptional team, your resilience and professionalism, even during challenging times like salary reductions, serve as a cornerstone of our progress and inspire unwavering optimism. To our shareholders, your trust and steadfast support are invaluable, enabling us to push forward with confidence. Together, we remain united in purpose, working toward our shared vision of a sustainable and prosperous future.

Ignacio Salazar
CEO and Managing Director

28 March 2025

Sustainability Report

CEO Message

Dear Stakeholders,

As we navigate an evolving regulatory landscape, I want to reaffirm Highfield Resources' dedication to advancing our Environmental, Social, and Governance (ESG) commitments. We recognize the importance of aligning our operations with the latest standards and are actively working towards compliance with Australian climate reporting legislation. While this process will take time, we remain steadfast in our efforts and will ensure full compliance in due course, reflecting our commitment to upholding the highest standards of corporate governance and accountability.

In addition, we are equally focused on adhering to the Corporate Sustainability Reporting Directive (CSRD). As global attention on sustainability intensifies, we understand the pivotal role that comprehensive and transparent reporting plays in building trust and achieving long-term success.

Reflecting on 2024, I am proud to share the significant strides we have made in ESG. Through the Minerética initiative, we have made presentations about the critical role minerals play in societal well-being and in shaping a sustainable future. A key milestone was our participation in the event, 'Present and Future of Key Raw Materials for Sustainability,' which showcased international cooperation, including active engagement with government representatives. This initiative underscores the importance of public-private collaboration in sustainable resource management.

We are also honored that Geoalcali's educational initiative, "Essential Minerals for a Sustainable Future," received the Fundación Minería y Vida prize. This program continues to raise awareness about the indispensable role of minerals in building a greener future.

Our commitment to community engagement remains strong through the Muga Community initiative, fostering active dialogue and collaboration with local communities. Additionally, we paid tribute to the legacy of the miners of Potasas de Navarra. They continue to inspire our efforts on the Muga project.

As we look ahead, our resolve to drive sustainable progress, empower communities, and uphold industry-leading governance remains unwavering.

Together, we are not only building a sustainable future but also demonstrating the potential of mining to contribute significantly to society.

Thank you for your continued trust and partnership.

Ignacio Salazar

CEO and Managing Director Highfield Resources and Geoalcali

ESG Commitment

Governance

The Company recognizes that managing ESG impacts contributes to long-term value creation. Since its inception, we have prioritized listening to all stakeholders to define strategies and manage material topics as the Project evolves. This continued dialogue helps us identify and address key issues effectively.

The Group's committees review policies and ethical compliance annually. During the 2024 revision, no substantial changes were required to our Code of Business Ethics and Conduct.

The Group actively seeks to implement and refine existing protocols to manage risk and improve sustainable performance ahead of regulations in Spain and Australia. The executive team is responsible for 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 ensure that the Company's ESG focus remains a cornerstone of its performance.

In light of the upcoming ESG legislation in 2025, we are committed to understanding the timing and risks associated with our business to ensure compliance and continued sustainable growth.

All information related to Corporate Governance can be found on 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 CREA (Commitment, Excellence, Respect, and Attitude) which form the basis of the eight principles of our Sustainable Roadmap outlined below:

1.

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

2.

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

3.

Guarantee the best environmental results, optimising energy use and the responsible management of resources.

4.

Encourage the participation and communication of our communities to ensure that their expectations and needs are met.

5.

Uphold the principles of diversity to ensure that equality is part of our corporate culture.

6.

Look for continuous improvement through measurement mechanisms with the aim of achieving excellence in all our activities.

7.

Always act with integrity, honesty and equanimity with all our stakeholders.

8.

Adopt an approach that is consistent with our vision and corporate values in our decision-making processes as the main driver to generate value and a sustainable outcome.

Compromiso Respeto Excelencia Actitud
CREA
Commitment Respect Excellence Attitude

Stakeholder Involvement

The Company actively engages with key stakeholders to identify concerns and communicate opportunities for long-term value creation related to the Project. The goal of this open dialogue is to integrate stakeholder opinions while considering global trends that may affect Muga. The aim is to develop strategies to manage risks and enhance positive impacts. The Group employs various methods to communicate with stakeholders and will continue to do so throughout the Project's lifespan. Additionally, the Company stays informed about and responds to environmental and social trends in multiple jurisdictions. This is crucial for our risk management process and essential for achieving our long-term vision. All this information helps identify material topics, which are incorporated into the Company's stakeholder engagement plan.

Communication channels

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

Material Topics

Business Development
- 1 Receipt of necessary Permits
- 3 Supplier Engagement
- 4 Wealth Creation
- 7 Generation of Quality Employment
- 13 Project Feasibility

Environmental Topics
- 6 Water Management
- 8 Waste Management
- 9 Restoration of the area

Safety issues
- 2 Ensure employee Health and Safety
- 5 Prioritise Health and Safety in the Community

Sustainable approach
- 11 Community Involvement
- 10 Climate Change
- 12 Sustainable Development

Muga's ESG Focus

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.

Protecting Biodiversity

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

Environmental Surveillance Plan

All environmental factors will be kept under control during the construction and operation of the mine.

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

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

2024 Performance Highlights

Business Development

In 2024, Highfield Resources Limited made significant advancements in the Muga Potash Project. The most notable development was the announcement of binding agreements with Yankuang Energy Group Co., Ltd, Beijing Energy International Holding Co., Ltd, and Singapore Taizhong Global Development Pte. Ltd. This Transaction is set to transform Highfield into a globally diversified potash company, providing the remaining funding for Phase 1 of the Muga Project. The agreements involve raising US$220 million in equity capital and acquiring the Southey potash project in Saskatchewan, Canada, from Yankuang Energy.

The strategic rationale behind this transaction includes fully funding the construction-ready Muga Phase 1 project, establishing a leading potash company with a diversified portfolio in tier-1 jurisdictions. The partnership with Yankuang Energy and other investors is expected to unlock substantial value and create synergies.

Highfield also signed major construction contracts, including one with Acciona Construcción, S.A., and another for declines and underground mining infrastructure with the EPOS-TUNELAN joint venture. These contracts cover approximately two-thirds of the planned construction budget. The Project is now construction-ready.

As of June 30, 2024, Highfield had A$10.3 million in cash and continues to secure additional funding. The Project aims to address the potash supply deficit in Europe and boost agricultural productivity. On September 23, 2024, Highfield completed a share purchase plan, reinforcing its financial position.

In summary, Highfield's strategic partnerships and financial business development aligned activities and initiatives in 2024 are set to propel the Muga Potash Project towards successful implementation and position the Company as a key player in the global potash market.

Permitting Process Update

In October 2024, the Company received a court ruling on one permit, the mining concession of Goyo, which identified a procedural flaw in the Governments' or authorities internal administrative coordination process related to the granting of this concession. As part of the three Muga mining concessions, production from Goyo's mineralization is anticipated to commence after the sixth year of the mine plan.

The Company has received official confirmation from the Government of Navarra, indicating that it is actively analyzing the court's ruling to address and rectify this procedural flaw expeditiously. It is important to note that the Government of Navarra has not relinquished the Goyo mining concession.

The Government of Navarra has stated: "We have contacted the (Spanish) Ministry and are jointly analyzing the steps to be taken, which must be coordinated between the Ministry and the governments of Aragon and Navarra. Our commitment is to rectify this procedural flaw promptly to enable the implementation of this project, which has already been evaluated with sufficient rigor and in coordination by all administrations."

The Government has shown a firm commitment to advancing the Goyo permit, ensuring that all administrative and procedural aspects are addressed efficiently. Highfield Resources remains dedicated to collaborating closely with relevant authorities to advance the permitting process and achieve timely project implementation.

Environmental Topics

We continue to advance in implementing measures to optimize environmental outcomes for the Muga Project. In 2022, the updated Environmental Surveillance Plan (ESP) for Muga was presented to the mining and environmental authorities of Navarra and Aragón. This update included all measures and controls mandated by the Administration as part of the Mining Concession process and the favorable Environmental Impact Assessment (EIA).

With the commencement of preliminary construction activities in June 2022, the ESP was activated, and corresponding controls for the construction phase were implemented. Throughout 2022 and 2023, quarterly reports detailing these controls were submitted to the relevant authorities. This practice has continued into 2024, ensuring continuous and transparent monitoring of our environmental commitments. The results from these reports will guide the setting of future environmental targets, fostering ongoing improvements.

Key milestones in 2024 for the Muga Mine Project included:

- Completion of the construction of two utility chambers for the underground section of the 66 kV power line, connecting the STR Sangüesa substation to the Santa Eufemia substation. These works adhered strictly to all environmental requirements. This project was successfully completed on January 25, 2024.
- Preparation of quarterly reports to monitor the ESP and set environmental targets.
- Preliminary theoretical analysis on the feasibility of implementing renewable energy sources to reduce the carbon footprint.

Water and Waste Management

In 2024, activities with potential environmental impact, subject to monitoring and control, were limited to:

- Completion of the construction of two utility chambers for the underground section of the 66 kV power line connecting the STR Sangüesa substation to the Santa Eufemia substation.

To date, preliminary work has involved small-scale activities, unlikely to significantly impact the water environment. However, with mining operations set to commence in the coming years, the Company will continue regular monitoring campaigns during the pre-operational phase. This includes quarterly on-site measurements and quarterly laboratory analyses to assess the current state of water reserves prior to the main construction of the Muga Mine.

The Company is firmly committed to sustainability in all its operations. Environmentally, the focus is on minimizing the carbon footprint, optimizing the use of natural resources, reducing waste generation to a minimum, and exploring new applications for by-products and waste. These efforts are supported by dedicated workstreams.

The Company operates under strict regulations for the restoration of all lands impacted by its activities. No significant drilling activities were conducted in 2024.

The Muga ESP Oversees and Monitors the Following Aspects:

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

- Meteorologica 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

Health and Safety

In 2024, Geoalcali demonstrated an unwavering commitment to health and safety through comprehensive training, health surveillance, and vigilant project supervision.

Training on Specific Job Hazards

Four employees received specialized training on the specific risks associated with their positions, dedicating 64 hours to enhancing their safety knowledge as mandated by Article 19 of the Law 31/1995 on the Prevention of Occupational Risks. Additionally, one employee completed a 6-hour refresher course on working at heights, ensuring they remain competent and safe in these high-risk environments. This completes training for the staff.

Health Surveillance

Geoalcali prioritized the health of its workforce by offering regular health check-ups as per the Law 31/1995 of PRL and RD 39/1997. In 2024, 18 in-house employees underwent medical examinations, with 17 being declared fit, one fit with restrictions, and nine opting out. For contractor personnel, all 10 individuals assessed were deemed fit, highlighting our commitment to maintaining a healthy workforce. All contractor personnel must undergo health assessments in order to work at Muga.

Preliminary Works at Muga Mine

The Geoalcali-Bovis team continuously supervised the Muga Mine Project, ensuring compliance with RD1627/1997 and RD 171/2004. This supervision included developing and approving safe work instructions for tasks such as working on the slope edges of the mine entrance and using mobile elevating work platforms (MEWPs) on the mine slope. These measures are essential to creating a secure, risk-free work environment.

To control access to the construction site, Geoalcali implemented the Nalanda Management Platform. This system ensures that only qualified companies, workers, and machinery meeting our stringent requirements gain access to the site, reinforcing our dedication to safety and competency.

Preventive Measures

During site inspections, we identified a breach in the excavation procedure by a contractor, who failed to maintain the minimum safety distance from the excavation edge during soil storage. This oversight created an overloaded area with a potential risk of material falling into the excavation. A Preventive Safety Observation (OPS) was conducted to address and rectify this procedural breach , ensuring continued adherence to safety protocols.

Accidents

There were no work-related accidents among our employees or contractors during 2024. Additionally, there were no commuting or mission-related accidents, underscoring Geoalcali's strong safety culture and effective risk management strategies.

Sustainable Approach

Community Involvement Through Muga Community Initiatives

Muga Community was set up in 2022 with the aim of providing appropriate social management for the communities around Muga Mine.

Throughout 2024, regular meetings were held with the local councils nearby to discuss relevant issues regarding the implementation of the Project in the area, with the aim of maximising positive socio-economic impacts and defining mitigation strategies for potential negative impacts.

Of particular importance was the meeting at which the Government of Navarra presented the Strategic Plan for the Sangüesa region, which is made up of 12 lines of work and the extension of the Muga Community to other companies in the area. This plan was presented seeking the participation of the interested parties in order to continue defining the specific actions to provide them with the necessary resources.

During this period, new councils in the area have shown interest in this public-private partnership formula. The councils of Los Pintanos, Isuerre and Lobera de Onsella joined Muga Community in 2024. The Company has also made progress in meetings with the Government of Aragon, specifically with the Vice-President and the Director of Depopulation, looking to establish a framework for cooperation with the institutions to maximise the benefits of Muga Mine in the Aragonese territories as well. Progress has also been made with the Aragonese Employment Institute (INAEM), which will lead to the launch of training courses in various areas of the construction industry.

Geoalcali, local mayors and Government of Aragón.

During this period, Geoalcali created a specific space on its website to inform our collaborators and potential employees of the advantages and opportunities offered by the region. To this end, 11 mayors were interviewed and have produced a video describing the benefits and services that each of their villages offers to welcome new residents. The videos can be viewed in the new 'Muga Community' section of the Geoalcali website, which will also contain information of interest such as the opportunities, services and advantages offered by each of the villages.

In conclusion, Muga Community is working and each time the municipalities are called upon, they respond. For the time being, the pace of activity is in line with the progress of the Muga Mine Project, and it is expected that activity will increase with the start of the construction works.

Government funding for Muga Community Projects

In November 2023, Geoalcali submitted a project to call for proposals for business projects aimed at the economic reactivation of areas with particular demographic difficulties, issued by the Ministry for Ecological Transition and the Demographic Challenge (MITECO) of the Spanish Government. The purpose of this call for proposals is to address the problems and needs arising from the demographic trend of recent decades and to adopt appropriate measures to strengthen territorial and social cohesion in Spain.

Given Geoalcali's commitment to the area and its interest in combating depopulation, the project aims to promote local development, encouraging population settlement and the emergence of new opportunities for the inhabitants of the area, through training activities in women's entrepreneurship, sustainable agriculture and science, from a collective vision for the future development of the territories of Navarra and Aragon. Geoalcali's project was selected by MITECO to receive funding and develop three thematic programmes: training in geology, mining and STEM professions; ecological horticulture using potash; and women's entrepreneurship.

The implementation of the project began in October 2024 with the Rural GeoSTEM programme, through the organisation of a workshop on women in mining and minerals by the Association of Women in Mining and Industry Spain at Sos del Rey Católico's primary school. All the students of this school and those of the nearby town of Undués de Lerda enjoyed taking part in workshops on minerals and their use in the manufacture of everyday objects. These workshops aim to promote STEM careers and raise awareness among children of the importance of the mining industry.

MITECO's co-founded project RuralGeoSTEM a community development project around Muga Mine.

Javier Castle - site of the Company's mineral museum and where the Company has assisted by providing land stabilization works to this historic site.

Geoalcali Foundation

Sangüesa Students Visit the Geoalcali's Mineral Museum

The museum run by Geoalcali in Javier is housed in a room provided by the Government of Navarra, which contains an exhibition of minerals and a series of informative panels on geology and mining for the general public. Several classes of schoolchildren from Sangüesa have visited this room to learn about local geology and the history of mining in Navarra, as well as the practical uses of minerals. In the various workshops they have been able to learn about the geological history of the area where they live, to identify different minerals and to see their practical use in the manufacture of everyday objects. In this way, the younger generations of the region will have a better understanding of the Muga Mine Project and a greater interest in STEM careers.

Students from Sangüesa learn about geology and mining at Geoalcali's museum in Javier.

Healthy Lunch Workshops

The Geoalcali Foundation provided the materials for the new healthy lunch workshop in the Special Curriculum classroom at Sangüesa Secondary School. These workshops are aimed at students with special educational needs. The workshops have been programmed and adapted to the curriculum in order to work on very meaningful and functional activities for the students, focusing on their autonomy and daily living skills.

School Transport for Undués de Lerda

The Geoalcali Foundation continues to support the supply of a transport service for children from the town of Undués de Lerda to the secondary school in Sangüesa and/or the school in Undués de Lerda. The aim of this service is to improve and increase the quality of life of the families living in the area, providing them with greater comfort, consolidating the population and preventing parents from having to move to take their children to school. It also offers a transport service to all residents who wish to use it, especially the elderly, to make it easier for them to carry out their daily tasks.

Organik – Educational Vegetable Garden

In 2020, the Geoalcali Foundation, in collaboration with the Town Council and the residents of Javier, created the first urban vegetable garden in the Muga Mine area. While the Geoalcali Foundation provides the plants and potash as organic fertiliser, the residents of Javier are responsible for maintaining the garden. The product (vegetables) is intended for consumption by the local population and the surplus is offered to organisations that manage this type of perishable food donation.

The Geoalcali Foundation continues to promote organic gardening and horticulture.

Rural Circus to Help Boost Tourism in the Region

The rural circus and the street art festival 'Txokarrera Fest' held its second edition in Liédena, once again with the support of the Geoalcali Foundation. The success of the first edition led to a second festival, with the same desire to bring art to an area threatened by depopulation, and to attract people.

Geoalcali's Foundation worked with Liédena's Town Council and the association that organises the event to liven up the streets of the small town with the best street theatre, circus and music.

The Geoalcali Foundation supports the circus in the countryside.

Community Day in Sos del Rey Católico

On the occasion of the International Day of Volunteering (IVD2024), Geoalcali's team of volunteers joined forces with Sos del Rey Católico's Town Council and its neighbours to help them achieve their goal of becoming a reference tourist destination during the Christmas period. In addition to helping with the manual assembly, the Geoalcali Foundation donated a popcorn machine for this activity, which was used throughout the Christmas holidays.

Through corporate volunteering, Geoalcali reaffirms its commitment to the communities with the aim of promoting sustainable development in the areas where the Muga Mine project will be implemented.

Geoalcali helps to decorate Sos del Rey Católico for Christmas.

Promote Navarra's Patron Day

Every year on the 3rd of December a mass is held at Javier's Castle church, to celebrate the Day of Navarra, which includes the performance of Sangüesa's Nora Choir. The aim is to promote the gathering of all Navarrese men and women in Javier around the figure of the patron saint of Navarra, and to keep the identity of Navarra alive with a friendly event that highlights the roots, culture and heritage of the region. Geoalcali, through its Foundation, is taking part in the celebrations and supports these objectives by contributing by sponsoring the choir's concert.

Tribute to Miners of "Potasas de Navarra" on Saint Barbara's Day

Javier's Minerals Hall and Geoalcali's warehouse in Sangüesa received a visit from the miners of "Potasas de Navarra". The visit was to pay tribute to the miners of "Potasas de Navarra", whose work has contributed to transform Navarra since 1962. Their efforts have not only helped modernise the industry but have also shown progress and hope. Muga Mine aims to continue their legacy for a prosperous and sustainable future.

Geoalcali staff hosted a large group of miners and their families. During the visit, they were informed about the origin of the deposit and the importance of minerals for the economic and social development of the area. They were also able to see the equipment that will be used to transport the ore to Muga Mine at the Sangüesa depot. All the participants showed great interest and were grateful for the visit.

Miners' visit to Javier and Sangüesa on Saint Barbara's Day.

Sustainability Partnerships

The Company is forging strategic partnerships, notably in Asia, to drive the transformation of the mining industry towards a more ESG-oriented and socially approachable business model. This initiative is particularly crucial as Europe's strategic autonomy in securing vital commodity supplies gains importance.

Recent activities have strengthened Spain's strategic ties with China. For instance, Spain and China established a permanent mechanism for trade and investment cooperation in June 2024. This mechanism aims to address opportunities and resolve challenges faced by companies in both countries, fostering stronger economic and commercial relations. Additionally, the sixth Chinese-Spanish joint call for R&D&I projects was launched in 2024, promoting innovation-driven research and technology development between the two nations.

With the entrance of Asian strategic investors, Muga serves as a prime example of these sustainable synergies. The collaboration demonstrates how strategic partnerships can lead to increased domestic production, lower fertiliser costs for European farmers, and a more sustainable food supply. This effort holds significant relevance for our society in Navarra, Aragón, Spain, Europe, and beyond.

Additionally, throughout 2024, the Company continued collaborating in various areas, further reinforcing its commitment to sustainability and innovation. Some of these examples are listed below:

Awards and Recognitions

National Award for Mining Educational Initiative

Geoalcali received the prestigious Fundación Minería y Vida prize for our educational initiative "Essential Minerals for a Sustainable Future". This initiative educates and raises awareness about the importance of minerals in building a sustainable future.

Geoalcali received the award during Europe's leading Mining Expo MMH.

The Company Receives Blue Seal for Health and Safety

Geoalcali began the year 2024 with the renewal of the "Blue Seal of Healthy Companies", during the celebration of the XV Edition of the Blue Awards, organised by Mutua Navarra, in collaboration with the Government of Navarra, the Business Confederation of Navarra (CEN), and others, in recognition of the organisations that contribute to creating a culture of health and well-being among their employees. Once again, Geoalcali was recognised as a healthy company.

Geoalcali receives the Blue Seal as a Healthy Company.

RSA Seal: Official Government of Aragón Corporate Responsibility Initiative

For the past nine years, we have consistently implemented sustainable management in line with this programme. The renewal of this seal acknowledges the Company's dedication to enhancing work life, promoting equality and prioritizing equal opportunities and the principle of non-discrimination. Additionally, it recognizes our efforts in encouraging volunteering and various actions rooted in solidarity and environmental respect.

MINERÉTICA Activities

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

On 16 April 2024, a conference was held on 'The Present and Future of Key Raw Materials for Sustainability'. This event was organised as part of MINERÉTICA's initiative, a project for the dissemination of information on mining, in which the Government of Navarra and the main associations and companies in the mining sector in Navarra are involved, and in which Geoalcali is a partner company of AINDEX (Asociación Nacional de Industrias Extractivas y Afines).

Speakers at the conference included Mr. Javier Taberna, President of the Chamber of Commerce of Navarra, Mr. Juozas Steponeas, Lithuania's Embassy Economy Counsellor, and Mr. Mikel Irujo, Navarra's Minister of Industry. Speakers at the conference highlighted the importance of the mining industry in Navarra and Europe and the crucial role that minerals play in a sustainable future.

Conference on 'The Present and Future of Key Raw Materials for Sustainability', organised by MINERÉTICA.

Following the Present and Future of Key Raw Materials for Sustainability conference, MAGNA (Magnesitas Navarras) invited the conference participants to visit the Eugui mine. Geoalcali accepted the invitation, and a delegation went along with other invited companies. There they were able to see how an open-cast mine works, its history, its peculiarities and how it operates on a day-to-day basis. The most important part of the visit was to observe the environmental restoration measures included in the rehabilitation plan for the areas of the mine that are no longer in operation. This plan takes into account the characteristics of the physical, socio-economic and mining environment, and at all times considers the conditioning of the land surface, measures to minimise erosion and the protection of the landscape and natural resources of the area, which is an excellent example of the environmental commitment of modern mining.

Geoalcali visits Magna's 'Integrated Restoration' Mine in Zubiri.

In addition, to these initiatives, two Geoalcali employees participated in motivating Zudaire School classmates, explaining how minerals contribute to the well-being of society and build a sustainable future for all. This activity is part of the MINERÉTICA initiative of the Government of Navarra and the associations and companies of the mining sector in Navarra to promote mining. During the talk, the students were able to learn about the importance of industrial minerals in everyday objects and the relevance of the mining industry today and in the transformation process towards a sustainable future.

Geoalcali educates secondary school students about the mining industry and the use of minerals.

Conferences and Employee Participation

The Role of Primary Resources in Achieving the Sustainable Development Goals (SDG): The Potash Case

Mr. Carles Alemán, Head of Plant & HSE, delivered a lecture at the Escuela Técnica Superior de Ingenieros de Minas y Energía of the Universidad Politécnica de Madrid as part of the Robeco Chair. The talk focused on the role of primary resources in achieving the Sustainable Development Goals (SDG), with a particular focus on potash. During the lecture, Mr. Alemán highlighted the importance of the SDGs and the role of primary resources in achieving them by 2030, focusing on SDG 2 (end world hunger or zero hunger) and the fundamental role of minerals such as potash in its solution. According to the United Nations, around 690 million people in the world suffer from hunger, representing 8.9% of the world's population, an increase of around 10 million people in one year and around 60 million in five years.

During the meeting, the following points were raised:

- How primary resources, mainly potash and phosphates, are essential for the production of fertilisers in the agricultural sector.
- How geopolitics affect the mineral supply chain and its risks, as well as supply diversification, producers, reserves, substitutes, market, prices, supply and demand.
- The role of sustainability, at the operational and general level, and how technology and innovation are necessary for this kind of success between mining and society.
- The role of Europe and its needs, as well as Spain and its production possibilities and global position.

Carles Alemán at the Universidad Politécnica de Madrid.

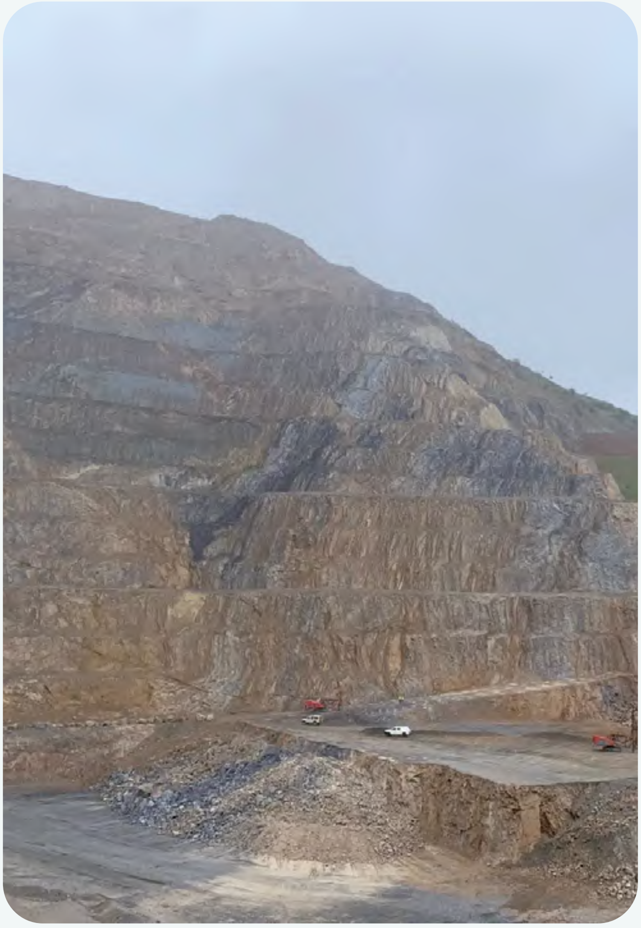
Maximise Organisational Agility

In March 2024, Geoalcali's IT department participated in the ICT Management Roundtable organised by the Industrial Foundation of Navarra, which focused on how companies can adopt agile practices to improve their adaptability and response to rapid market changes.

Geoalcali worker, Leonardo Mencias participates in the ICT Roundtable.

Geoalcali Staff Visit to Mine Sites

Staff from Geoalcali's mining and health and safety departments visited a ATEX (explosive atmosphere) qualified mine. The Geoalcali delegation was able to see the site and learn first-hand from the experience of the personnel who run this mine, specifically about important issues such as ATEX protocols, ventilation systems and electricity management. They also met with representatives of the mine's Central Mine Rescue Brigade to learn about their rescue and assistance practices in the event of an accident in a mine of this type. The experience gained will be used to train future members of the Muga Mine brigade.



Participation in the Mining and Minerals Hall (MMH)

Mining and Minerals Hall (MMH) is the most important European mining event. The 2024 edition was held from 15 to 17 October at Seville's Exhibition and Conference Centre. The MMH brings together the world's mining sector and is the only event of its kind in Europe. At this year's event, it was possible to see first hand the technological innovations implemented in all the processes of exploration, extraction, production and treatment of mineral raw materials, as well as active mining operations that are world leaders in technology and environmental activities, and also future projects that will meet the highest standards of quality, innovation and sustainability. The general objectives of the visit were: to interact with equipment and service providers in the mining sector in order to create a network of contacts for the future phase of operations and to maintain relationships with current suppliers; to interact with operations, maintenance and management personnel from other companies in the mining sector in Spain and Europe; to create relationships that will promote the transfer of knowledge in order to improve the operation of the Muga Mine; to learn about the technical specifications of the solutions offered to various problems by different suppliers and equipment manufacturers, among others.

Geoalcali attends Europe's leading mining exhibition.

Memberships

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

The business association of Cinco Villas

The logistics cluster of Aragón

The executive managers association of Aragón

The Spanish mining confederation

An association of mining businessmen of Aragón

An association of mining companies of Navarra

The business association of Australia in Spain

International Fertilizer Association

An association of Navarra companies

A Spanish mining association

A Navarra mining association

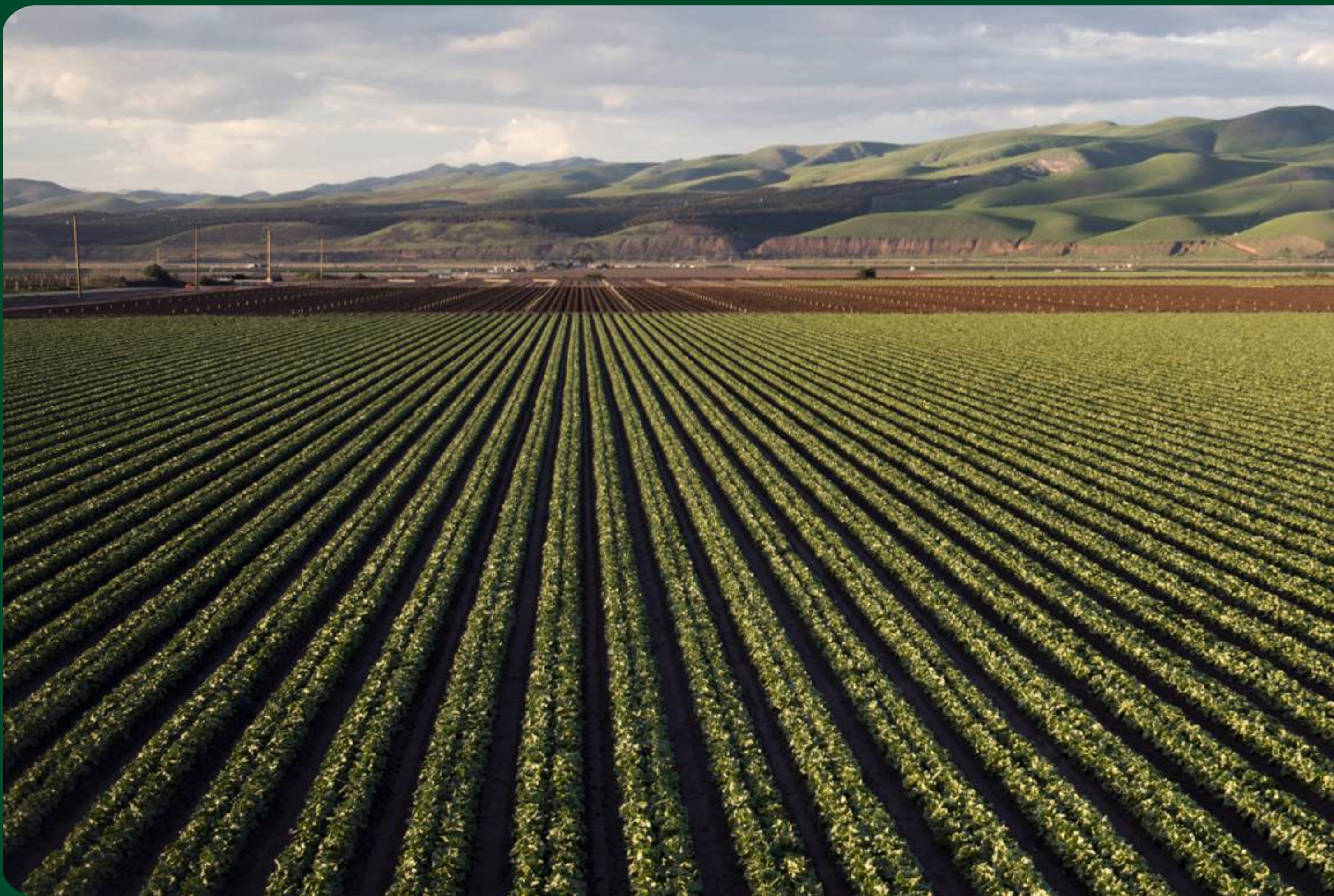
A non-profit organisation created by the Official College of Industrial Engineers of Navarra and the Association of Industrial Engineers of Navarra.

The 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.

Data Summary

			Highlights/comments of 2024 performance / progress
Safety	Fatalities	0	Safety: Limited on site work during the year ended 31 Dec 2024.
	Lost Time Injuries (LTI)	0	
	Total Recordable Injuries (LTI+ Medical Treatment Injuries + Restricted Work Injuries)	0	
	LTI Frequency Rate	0	
	TRI Frequency Rate	0	
Environment	Water abstracted (ML)	-	Environment: Quarterly reports (sampling) were produced and shared with the authorities.
	Water discharged (ML)	-	
	Energy use (GJ)	5	
	GHG emissions Scope 1 (t CO2-e)	Not measured	
	GHG emissions Scope 2 (t CO2-e)	Not measured	
	Waste recycled (tonnes)	Not measured	
	Land disturbance (ha)	N/A	
	Land rehabilitated (ha)	N/A	
Social	Community investment/donations	€ 19,450	Social: The Company encourages staff, contractors and subcontractors to seek out qualified local suppliers in order to contribute to the development of a sustainable and stable local economy as reflected in our Buy Local Policy.
	Employees	25	
	Contractors	37	
	Female employees	10	
	Male employees	15	
	% of workforce residing locally	100%	
	Spend on local suppliers	€ 702,916.90	The Geoalcali Foundation continues to work and collaborate with the most relevant entities in the area where it operates to promote the socioeconomic development of Muga Community.

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 2024.

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 Koonenberry Gold Limited (ASX:KNB). In the three years immediately prior to the end of the financial year Mr. Harris was Executive Chair of Aeon Metals Limited (ASX: AML) and non-executive Director of Aurelia Metals Limited (ASX:AMI).

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)

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. Originally an accountant 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 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 Adelaide University (the new university being forged through the amalgamation of The University of Adelaide and the University of South Australia) transition council, Chair of National Pharmacies, and since 2021 non-executive director of ASX listed Australian Rare Earths Limited (ASX:AR3).

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

Mr. Luke Anderson

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 Adromeda Metals Limited which ended in September 2024.

Prior to that Mr. Anderson was 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. Roger Davey
(resigned on 21 March 2025)

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

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

He is a Chartered 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.

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, Mighty Kingdom Limited, Duxton Water Limited and Duxton Farms Limited.

Board Committees

Remuneration and Nomination Committee

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

Members of the Committee, which is to have a minimum of three non-executive directors, are appointed by the Board and comprise individuals with sufficient expertise and understanding of remuneration and related matters.

The members of the Remuneration and Nomination Committee as of the date of this report are Ms. Pauline Carr (Chair), Mr. Paul Harris and Mr. Luke Anderson.

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 is required to have sufficient accounting and financial expertise and an understanding of risk management strategies and the mining industry as a whole.

The members of the Audit, Business Risk and Compliance Committee are appointed by the Board and are currently Ms. Pauline Carr (Chair), Mr. Roger Davey and Mr. Luke Anderson.

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	239,700	2,919,472
Pauline Carr	78,829	-
Luke Anderson	529,293	1,000,000

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**	**$0.67**
30 June 2025	1,000,000	-	-	-	-	-
31 December 2025	-	333,334		509,961	736,440	-
31 December 2026	-	-	879,766	459,971	-	-
30 June 2027	-	-	-	-	-	1,000,000

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 2024 was $19,234,078 (year ended 31 December 2023: $12,115,323).

As the Group is still at the exploration phase, revenue obtained related to interests earned from the cash positions held by the Group both in Spanish and Australian banks.

Total consolidated cash on hand at the end of the financial year was $11,959,572 (31 December 2023: $14,083,844).

Net cash outflow from operating activities of $8,805,932 (31 December 2023: $9,909,116) were primarily used to fund General and Administrative costs, whose proportion relative to the Group's overall costs increased during the year as a result of the legal expenses incurred in connection with the in progress transaction with Yankuang.

Net cash outflow from investing activities of $5,254,826 (31 December 2023: $9,562,059) was mainly to advance the Muga-Vipasca Project in relation to consultant fees and owner's costs as well as payment of construction taxes and to Iberdrola for the works to be carried out in connection with the electricity substation near the mine.

Net cash inflow from financing activities of $11,496,985 during the year ended 31 December 2024 (31 December 2023: $14,349,544) was mainly driven by the proceeds received following the unconditional component of the short-term funding conducted in the last quarter of the year (A$16.5 million, net of costs) and the amounts received early in 2024 from the issue of convertible notes to Tectonic and EMR (A$7.6 million, combined). Partially offsetting this, commitment fees were paid to the Project Finance banks for an amount of A$12.6 million.

The attached financial report for the year ended 31 December 2024 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 2024 or up to the date of this report. No recommendation for payment of dividends has been made.

Risk Management Framework

The Group has developed and implemented a Risk Management Framework ("RMF") that serves as a roadmap of the operating strategies from the risk management perspective, and it is fully aligned with the Group's vision and its 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 Group's RMF is the key tool to address and tackle risks across the Group and clearly sets out how this process is structured from a strategic level where the Risk Management Policy ("RMP") embedded in the Group's Code of Business Conduct and Ethics lays the foundations for an effective risk management. At a tactical and operational level, the Risk Appetite Statement ("RAS") describes the amount and types of risk the Company is willing to accept to achieve its objectives and the Register of stakeholders to the RAS identifies and classifies the stakeholders by their interest and influence on the Project in an attempt to design policies aimed at engaging them further for the Project's benefit.

All these documents are to be reviewed by the Audit, Business Risk and Compliance Committee every year to ensure they are all up to date and fit for purpose.

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.

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. As a future mining company nearing the Final Investment Decision ("FID"), Highfield has an inherently higher risk profile than a company that has already established revenues and a track record of operations. 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 RAS communciates to staff in clear, relevant risk appetite language they can understand and apply in their operational areas and help management make risk-informed decisions. The Risk Appetite Statement has been considered by the Company's Audit, Business Risk and Compliance Committee and formally adopted by the Highfield Board of Directors.

The Group's appetite for risk in the different areas of its business is described in the table below.

Business Area	Strategic	Tactical	Operational
Capital expenditure	High	Moderate	Low
ESG	Zero	Zero	Zero
Technical	Moderate	Low/Zero	Low/Zero
Financial/Tax	High/Zero	Moderate/Zero	Low/Zero
Marketing/Logistics	High	Moderate	Low
Health and Safety	Zero	Zero	Zero
HR	Moderate	Moderate	Zero
Reputational	Moderate	Moderate	Zero
Corporate	High	Low/Zero	Low/Zero

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 singled out the key risks the Group currently faces into the following categories:

Risk Category	Risk Description	Mitigation Strategy
Financial Risks – Cash availability and additional funding	In the event that the equity financing for the Project is delayed the Group's cash could potentially deteriorate. The Company will therefore require additional funding to reach completion of the transaction with Yankuang and further support the development of Muga in the future	As at 31 December 2024, the Group's cash position is A$12.0m (€7.4m). The September 2024 placement and further SPP subscribed by current investors raised A$24.9 million (with the last A$7.9 million received early in 2025) and demonstrates the continuous support the Company is receiving from its shareholder base. The near completion of the transaction with Yankuang and its associates will deliver enough cash to the Company to move in the mining value chain and take the FID. While this occurs, Management remains committed to prudently manage cash and not to incur non-essential cash outflows so as to minimize cash depletion. Were the investment from the cornerstone Chinese investor delayed, additional tougher measures to cut expenditure could potentially be applied to limit cash outflow further and if necessary, the Company could look to raise capital from other sources.

Risk Category	Risk Description	Mitigation Strategy
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. Delays in construction start could prompt the main contractors to seek price increases beyond reasonable terms. Construction costs could exceed those contemplated in the current Feasibility Study. Inflationary tensions might potentially push up energy prices and raw materials.	The updated Feasibility Study (announced in November 2023) confirmed Muga's capex and opex estimates and provided a stronger level of confidence as contracts and firm offers representing 93% underpinning the cost estimate. Management is closely following up these contracts with suppliers to ensure disproportionate price increases are not conveyed to the contracts. Project contingency allowance of €40.0 million (or 10% of the direct and indirect construction costs), is deemed appropriate by the Company and the bank's technical expert and in line with similar projects and market practices. 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 the first Project Finance drawdown. The Project is assuming (and financing) a combined buffer of circa €100 million to face potential cost increases, a more than reasonable figure in the Company's view. The key construction contracts signed (civil works with Acciona and ramps and mining infrastructures with EPOS & Tunelan) are lump-sum contracts that include price review formulas linked to construction public prices indexes (in general rather conservative and aligned with inflation) to limit possible cost blow outs.
Operational Risks – Health & Safety (H&S)	Hazards and incidents require early identification, root cause analysis and a response strategy.	Safety KPIs tailored to the current position of the Group in the value mining chain have been defined and are assessed monthly as part of the H&S strategy. These performance variables have been embedded in the Group's remuneration framework and hence, the employees' variable at risk remuneration is partly determined by the Group's H&S performance. A bespoke Crisis Management Manual has been enacted and is reviewed annually to ensure it remains up to date and is fit for 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 simulation exercises are periodically conducted to test the procedures included in the manual and a lessons learnt document is duly drafted.

Risk Category	Risk Description	Mitigation Strategy
Environmental and Climate Change Risks	The activities of the Group are subject to the environmental laws and regulations of Spain and Australia. As with most exploration projects and mining operations, the Group's activities are expected to have an impact on the environment, particularly when Muga is taken to the next development stage. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area. Climate change may also cause certain physical and environmental risks that cannot be predicted by the Group, including events such as increased severity of weather patterns, incidence of extreme weather events and longer-term physical risks such as shifting climate pattern.	The Group attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations. A Climate Change Risk Policy has been developed. This policy sets out the broad principles, responsibilities and practices that will be used to manage the Group's climate change risk exposure from an operational, governance and risk management perspective. The policy will be further developed and implemented as the volume and complexity of the Group's activities grow.
Operational Risks – Key personnel and talented staff availability	In progressing the Muga project the Group relies to a significant extent upon the experience and expertise of 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. Recruiting and retaining qualified personnel is important to the Group's success. The number of locally based people skilled in the exploration and development of mining properties is limited and competition for such qualified and experience people is strong.	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. Surveys to anticipate staff demands and expectations in terms of welfare, training needs and professional expectations regularly conducted. The Group conducts regular monitoring of the status of the labour market and reviews of the project's future staffing needs. Training programs are in place with the Regional Employment Offices of Navarra and Aragón to build a talent pool of potential local candidates to allow the Group to recruit experienced and skilled personnel for the construction and operational phases.
Technical and Operational Risks – Productivity	Although the Muga plant will be based on established technology, its performance and its profitability will depend on a number of factors, namely: • a successful detailed engineering; • quality construction that meets deadlines and avoids cost overruns; • swift plant commissioning; • successful ramp-up to achieve plant nameplate capacity; • staff expertise to commence production; and • processing of ore that delivers the expected grade.	The plant's detailed engineering has been undertaken by experienced and reputable consultants. A number of enhancements as a result of the Feasibility Study announced in November 2023 will be implemented shortly before kicking off the main construction to streamline the process. Management has ensured that the consultants involved in the updated detailed engineering will be engaged in the installation and commissioning phases. The plant construction will be carried out by financially robust, reputable and experienced contractors which also have the appropriate expertise. The contractors will be involved in the commissioning along with the Company's own team that will take care of the equipment commissioning. Equipment manufacturers will be engaged as well. The composition of operations and maintenance will be carefully designed so as to provide a range of relevant skills and expertise to tackle commissioning issue. Contract mining to be considered to ensure third party experience, expertise, and capability applied to mining capacity issues.

Risk Category	Risk Description	Mitigation Strategy
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. The Company's Projects are focused on development of Muriate of Potash ("MOP") assets and therefore the Company is exposed to the market sentiment towards MOP as well as prevailing market price and outlook for MOP.	Memorandums of Understanding ("MOUs") have been signed with fertiliser traders with deep potash market experience and contacts to help mitigate these risks. A binding vacuum salt take-or-pay offtake was signed in 2023. 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. Expanding the geographical lens for SMOP sales and reinforcing the salt marketing strategy is an ongoing task.

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.

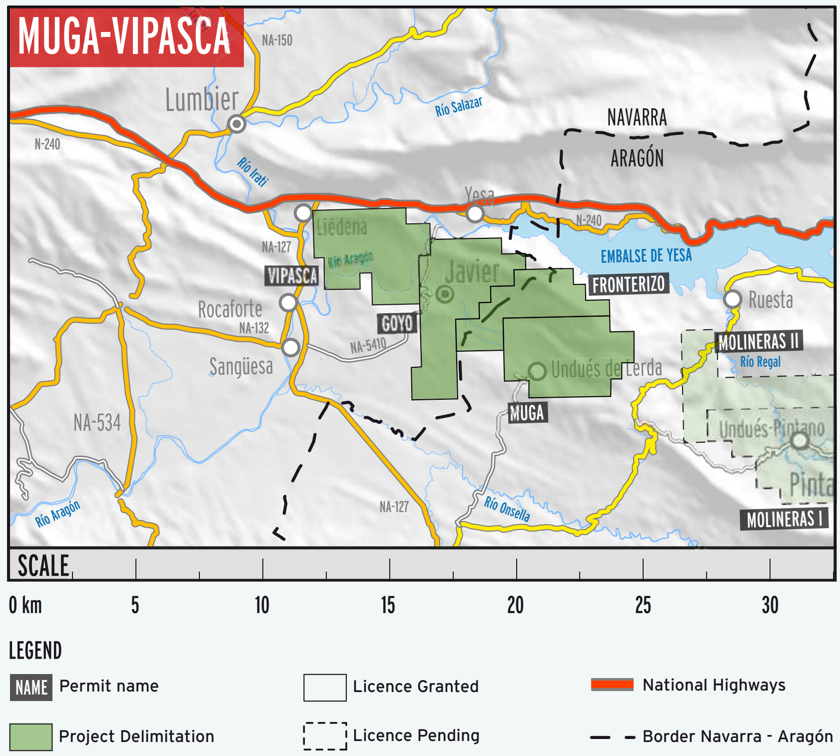
Nature of Operations and Principal Activities

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 2024.

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 area is located adjacent to the western border of the Muga Project and covers approximately 14km^2. However, the geological data obtained in recent years has demonstrated that only the Eastern part of this area, which borders the Muga project, is economically viable. Further, it has always been considered as a natural continuation of the Muga deposit, given its geological features and hence, the Company's efforts have been focused on this sector. As a result, the Eastern part of Vipasca was recategorized from an Exploration Target to a Mineral Resource and is deemed 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 incorporate Vipasca area 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.

Permitting Update

While the Project was fully de-risked from the permitting angle once all the relevant licenses, authorizations, and permits had been obtained, the Company was informed in the fourth quarter of 2024 that a ruling made by the Superior Court of Justice of Navarra ("TSJN") had identified a procedural issue in the coordination process between the Government of Navarra and the Spanish central government regarding the approval of the Goyo concession (refer ASX 27 October 2024, "Goyo Mining Concession Update").

The Company was further informed (refer ASX 30 January 2025 "Highfield Resources Welcomes Government Support for Muga Potash Project and Resolution of Goyo Permit Matter") that in a note published by the Government of Navarra, it was stated that both President (of Navarra) Ms. Chivite and Vice President (of Spain) Ms. Aagesen had agreed that the central and Navarra governments should continue working together to promote the Muga mine.

The Company, therefore, remains confident in the resolution of this matter given the strong backing from the authorities involved in its resolution.

Additionally as a result of the successful completion of the expropriation process, access to the lands has been secured enabling the preliminary works to quickly commence once the Muga funding is complete.

Construction Update

The contracting strategy for the Muga-Vipasca Potash Project was simplified to an owner-managed project delivery model that envisages the construction of the declines and underground mining infrastructure to be undertaken by a specialized mining contractor and the aboveground civil works and urbanisation by a general contractor. During the first half of 2024, the Company signed contracts with contractors responsible for each of the two aforementioned packages.

The contract for the construction of the declines and underground mining infrastructure with the EPOS-TUNELAN joint venture was signed in March 2024 for a lump-sum value of €48 million and a construction period of 26 months (refer ASX release 12 March 2024 "Highfield signs contract for the construction of the declines at Muga Potash Project"), which is aligned with the estimated capital cost included in the 2023 Feasibility Study. This partnership benefits from EPOS' experience in multiple mining and underground construction projects throughout Europe and the Americas, and TUNELAN's local knowledge of Spanish construction regulations as well as its extensive experience with equipment similar to that which will be used in Muga.

Additionally, the Company signed the contract for the construction of the aboveground civil works and urbanisation (refer ASX release 30 April 2024 "Contract Signed for Construction of Civil Works at Muga") with Acciona, a well-known leading Spanish constructor with significant experience in civil works, for a lump-sum value of €56.9 million and an agreed duration of 27 months, consistent with the estimated capital cost and timeline included in the 2023 Updated Feasibility Study.

With the signing of these two key contracts, almost two thirds of the planned construction budget has been awarded.

The Company is ready to begin construction once the financing process is completed.

Technical Update

All the key processing plant equipment purchase contracts were signed with suppliers (refer ASX release 15 February 2022 "Remaining Purchase Contract Signed"), after which the Company focused on further optimization of the detailed engineering of the processing plant.

During the year ended 31 December 2024, the Company signed the contract to efficiently manage the plant and the mine, the Distributed Control System, with a reputable supplier Schneider Electric System Ibérica S.L.U. for a lump-sum value of €2.3 million, in line with the estimated capital cost included in the Feasibility Study published in the last quarter of 2023.

Following the due diligence process with the financing banks, the 2023 Updated Feasibility Study incorporated some minor updates in response to comments received from the lenders (refer ASX release 7 November 2023 "Updated Muga Feasibility Study"). Apart from that, the processing plant design and the mine plan remain the same as presented in the December 2021 Muga Feasibility Study Update.

Sales and Marketing Update

Trade sanctions enforced by the European Union and the United States on Belarus and self-imposed trade restrictions on Russia have added to the supply constraints of the potash market since 2021, causing prices to hit all-time record-highs and which eventually led global demand to fall. As market constraints and affordability levels have been improving since the end of 2022, demand moved back to normal levels in 2024. However, the geopolitical situation has now settled into a new global trade map with the former soviet producers, especially Belarus, being excluded from many Western economies.

Additionally, the ongoing conflicts involving Russia and Ukraine in Eastern Europe as well as those between Israel and Palestine in the Middle East, continue to encourage buyers to find alternative sources of potash from more stable regions. This has spurred discussions with traders and other potential offtakers and logistics partners with an interest on a strategic participation in the Project.

Despite market volatility, there is an upward trend for long term fertiliser demand spurred by factors such as a growing population and decreasing arable land per person.

Over the last few years, the Company's marketing plan has been updated to meet the newest developments introduced in the 2023 Feasibility Study. As the construction of the compacting and glazing unit is deferred to phase 2, the mine will produce standard grade muriate of potash ("SMOP") in phase 1 and add granular grade muriate of potash ("GMOP") to its product portfolio in phase 2. The new sales strategy's feasibility is based on the specific product each geographical region demands. With Europe consuming 50% GMOP and 50% SMOP this allows the Company to implement its logistics arrangements on an incremental basis as well as benefiting from lower shipping costs. Other markets' demand is mainly for GMOP, with no significant deliveries of SMOP.

Regarding salt sales, Highfield signed a take-or-pay offtake agreement with Maxisalt during Q4 2023 for a minimum of 50,000 tonnes per annum with the option to sell up to 75,000 tonnes per annum of vacuum salt, which represents 20-30% of Muga's full phase 1 vacuum salt production (refer ASX release 1 November 2023 "Salt Offtake Agreement Signed with Maxisalt").

In 2024 the Company continued to develop strong relationships with local buyers to secure further offtakes at the right time.

Highfield's transport and logistics strategy is an essential input to successfully develop and implement the sales and marketing plan. Highfield continues to engage with the three nearby ports with which it has previously signed MOUs – Pasajes and Bilbao (North of Spain) and Bayonne (South of France). The Company plans to conduct a tender process for its logistics once the project is fully financed.

Financing Update

In September 2024, the Company announced that it had entered into binding agreements with Yankuang Energy Group Co., Ltd (Yankuang Energy) and a number of strategic investors including Beijing Energy International Holding Co., Ltd (Beijing Energy) and Singapore Taizhong Global Development Pte. Ltd. (Taizhong), in relation to a transaction which is expected to transform Highfield into a globally diversified potash company and deliver the remaining funding for Phase 1 of the Muga Potash Project. The Transaction comprises the raising of US$220 million in equity capital by Highfield from Yankuang Energy and the strategic investors (Cornerstone Placement) and the inter-conditional acquisition from Yankuang Energy of the Southey potash project in Saskatchewan, Canada (Southey Vend-in) by way of the direct or indirect acquisition of 100% of the shares in Yancoal Canada Resources (a subsidiary of Yankuang Energy) (Yancoal Canada) which owns the Southey assets.

With respect to the Cornerstone Placement, the Company has entered into binding equity subscription agreements with Yankuang Energy, Beijing Energy and Taizhong whereby they will be subscribing US$90 million, US$50 million, and US$30 million respectively. For the remainder US$50 million, negotiations with different groups are ongoing with the aim to execute binding agreements.

Regarding the Southey Vend-in, a binding Implementation Agreement was signed pursuant to which the Company agreed to acquire Southey for consideration valued at US$286 million.

While there are a number of Conditions Precedent to complete the transaction, as of the date of this report the transaction is well progressed and the regulatory authorisations from Australia (refer ASX 14 January 2025, "Yankuang Energy receives FIRB Approval" and ASX 6 March 2025 "Beijing Energy receives FIRB approval"), and Canada (refer ASX 24 February 2025, "Highfield Satisfies Condition in relation to the Investment Canada Act to acquire Yancoal Canada") have been received.

The proceeds from the Cornerstone Placement will complete the Senior Secured Project Financing ("PF") facility of €320.6 million and the operating lease of €25 million to fully fund the construction of Muga.

With respect to these sources of funds, the Company is now working with the PF lenders under the Facilities Agreement to amend some terms and obtain certain waivers in the context of the binding agreement signed with Yankuang Energy and other strategic investors (refer ASX 28 January 2025, "Update on Facilities Agreement and Project Financing"). Moreover, work is being undertaken around the operating lease once US$4.7 million was converted into a lease contract on four shuttle cars from Komatsu on March 2025. In this respect, the Company is negotiating the new terms and conditions of the facility for the remainder €20.6 million.

While all these workstreams are underway, the Company successfully closed during 2024 a US$16.4 million Short Term funding by way of an institutional placement and a Share Purchase Plan ("SPP") among eligible shareholders (refer ASX 26 September 2024 "Highfield completes unconditional component of its Institutional Placement" and ASX 17 October 2024 "Highfield announces completion of Share Purchase Plan and further issuance of shares under the unconditional component of its Institutional placement). This funding demonstrates again the main shareholders' base commitment towards the project and their unwavering support while discussions with the cornerstone investors are being progressed.

Updated Feasibility Study

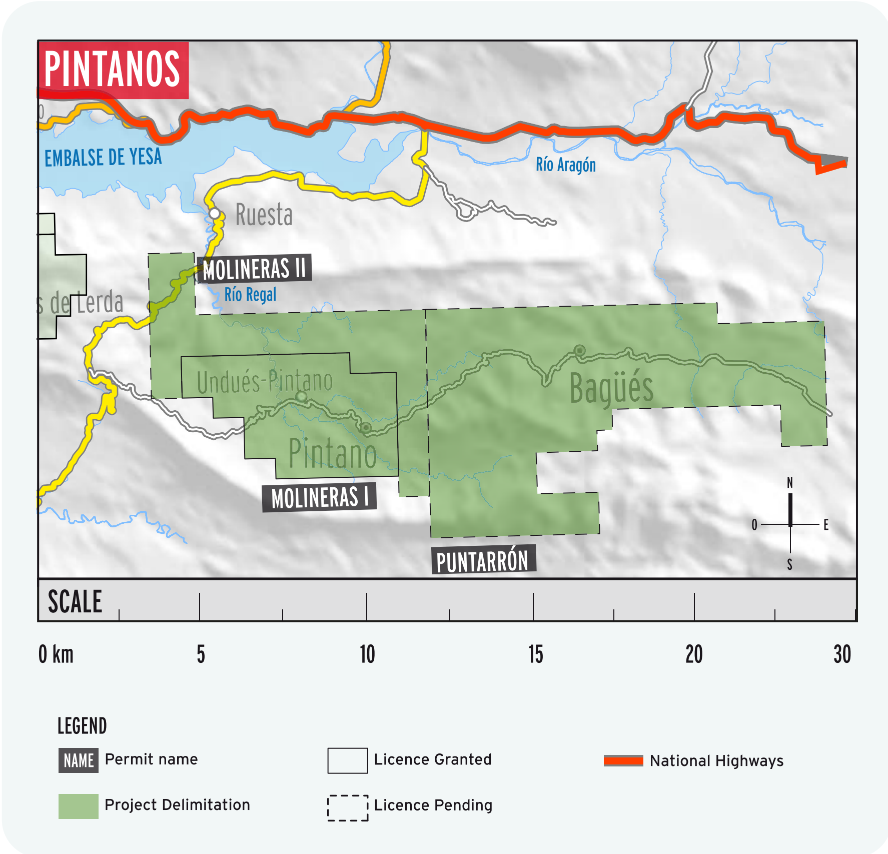
The Company updated the Muga Project Updated Feasibility Study in the last quarter of 2023 (refer ASX release 7 November 2023 "Updated Muga Feasibility Study") which reflected a more refined approach to certain mining and processing technical aspects and was based on more advanced engineering.

This document reconfirmed the 30-year Life of Mine and planned capacity of 1 million tonnes per year over two phases, a competitive average C1 cash cost estimate of €108 per tonne post salt by-product revenue and the estimated capex for phase 1 (€449 million) and phase 2 (€286 million).

At the same time, a stronger level of confidence in the figures was sought by accounting for global cost inflation on raw materials and incorporating numbers from the contracts and firm offers which represent 93% of the updated capex estimate, compared to 76% in the previous Feasibility Study.

The updated Project economics underpinned the compelling economics of the Project with an NPV_8 of €1.82 billion and an IRR of 23%.

Pintanos Project

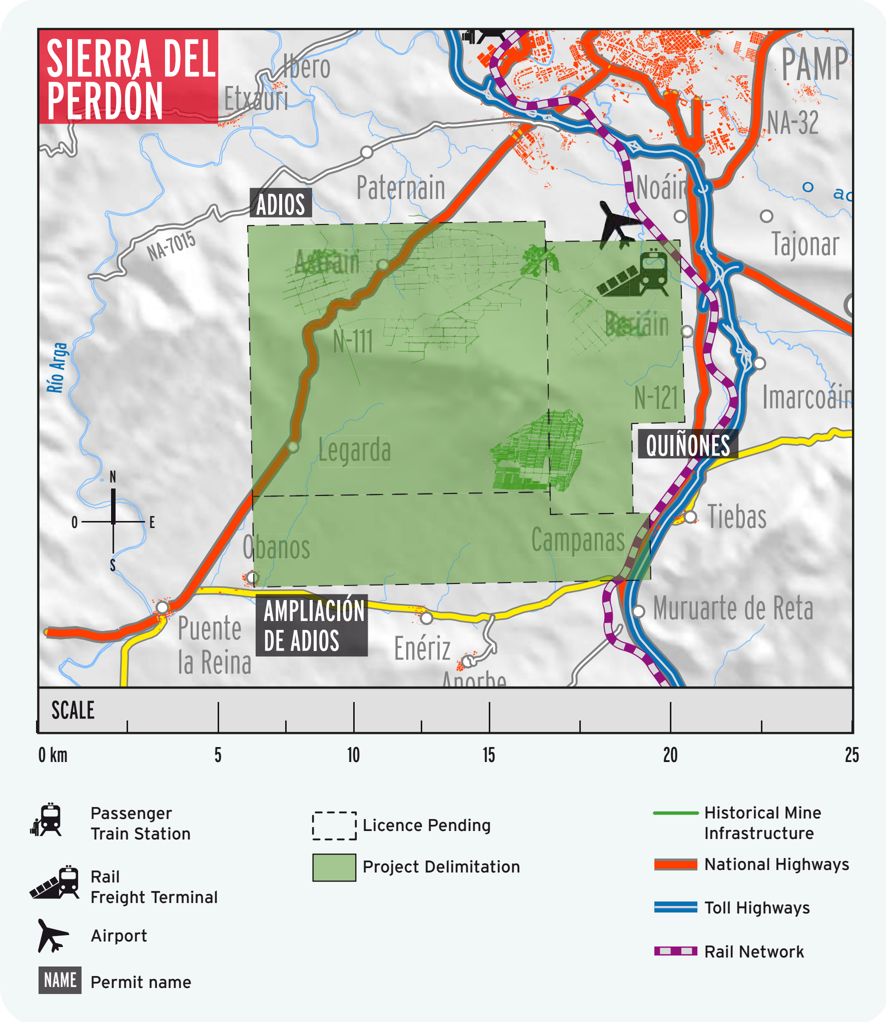


Adjacent to the Muga Project, the Pintanos tenement area comprises the three permits of Molineras 1, Molineras 2 and Puntarrón and covers an area of 65km^2.

Geoalcali was granted a three-year extension on the drilling permit at Molineras 1 in 2020. Shortly before its expiry in April 2023, the Company requested its second three-year extension, which was finally granted for an additional year on 4 January 2024. The Company elected to allow this permit to expire in early 2025 as no drilling activity was carried out in this tenement during the year ended 31 December 2024 and is now working with the mining authorities to reactivate the permit. With respect to Molineras 2 and Puntarrón the Company continues to await the decision of the authorities regarding the drilling permit at these two tenements whose application process was re-initiated in 2019.

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

Sierra del Perdón Project



Located southeast of Pamplona, the Sierra del Perdón tenement area ("SdP") covers approximately 125km² 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 was rejected by the mining department of the Government of Navarra, a decision that was appealed by the Company in the same quarter. Based on 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.

In line with the above, no drilling activity has been carried out on either of these permits since 2019.

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

The Geoalcali Foundation continues to work and collaborate with the most relevant entities in the area where it operates to promote the socioeconomic development of Comunidad Muga.

Since its establishment, almost 200 projects have been supported in the different localities considering the pillars of the Foundation's work (Education, Social Integration, Sustainable Communities and commitment to the Environment).

Another important factor in the coexistence with the community is leisure. For this reason, during 2024 and for the second time in a row the Foundation collaborated in the organisation of the second "Txokarrera Fest", a rural festival that brings magic, music and theatre to its neighbours and in the project "A fairytale Christmas" where the German Shepherd Christmas was replicated in one of the towns of the Muga Community.

The Foundation also remembers the former miners of Navarra and each year celebrates the day of Santa Barbara, the patron saint of miners, with them and pays tribute to them by inviting them to the facilities of the Mining Museum that Geoalcali set up in Javier.

As in the previous years the Foundation continued working with the Company's Public Affairs team and the Muga Community to maximise the socioeconomic benefits of the Muga Mine in the local area. The Foundation participated in meetings with potential suppliers of the Muga Project to raise awareness of the possibilities to collaborate with the Project. It also worked with the Muga Communities of Navarra and Aragon, which group together the different municipal entities and the governments of each region seeking to maximise the synergy of wealth generation of the Muga Mine Project in the area.

The wide range of initiatives supported by the Company are well known and appreciated by the local community, with several of them having received awards and recognition as sustainable initiatives.

Corporate

Board and Management

Non-executive Director Mr. Roger Davey resigned from the Board of the Company with effect from 21 March 2025, for personal family reasons after close to seven years of service to the Board, as well as the Audit and the Remuneration Committees. The Company would like to acknowledge Mr. Davey's valued contribution during his tenure as a member of the Board

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 2024. Rounding differences may occur.

Muga-Vipasca Project

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

An updated Ore Reserve statement for the Muga Project was produced 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 statement 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 estimate which is presented below in terms of future plant feed, to remain valid as at 31 December 2024.

Table 1: Muga-Vipasca Ore Reserves Summary

	31 December 2024		31 December 2023		31 December 2022	
	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. The Ore Reserve statement has an effective date 31 October 2021. SRK has not been requested by the Company to update this estimate since this time as the Company considers there have been no material changes that would impact on this.
2. 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.
3. The Concession is wholly owned by and exploration is operated by Geoalcali S.L.U., the wholly owned Spanish subsidiary of Highfield Resources.

4. 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).

5. As at the effective date of the estimate, 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.

6. 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 as at the effective date 31 August 2020. The Company believes this remains valid as at 31 December 2024.

Table 2: Muga-Vipasca Mineral Resources Summary

	31 December 2024		31 December 2023		31 December 2022	
	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)	Tonnes (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. The Mineral Resource statement has an effective date 31 August 2020. SRK has not been requested by the Company to update this estimate since this time as the Company considers there have been no material changes that would impact on this.

2. 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.

3. 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 2024.

Table 3: Sierra del Perdón Mineral Resources Summary

	31 December 2024		31 December 2023		31 December 2022	
	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)	Tonnes (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 to remain accurate as at 31 December 2024.

Table 4: Pintanos Mineral Resources Summary

	31 December 2024		31 December 2023		31 December 2022	
	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)	Tonnes (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

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

Table 5: Highfield Total Ore Reserves Summary (Muga-Vipasca Project only)

	31 December 2024		31 December 2023		31 December 2022	
	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%**

Table 6: Highfield Total Mineral Resources Summary (Muga-Vipasca, Sierra del Perdón and Pintanos Projects)

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

	31 December 2024		31 December 2023		31 December 2022	
	Tonnes (Mt)	Grade K_2O (%)	Tonnes (Mt)	Grade K_2O (%)	Tonnes (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

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group.

Significant Events After the Reporting Date

The Extraordinary General Meeting ("EGM") held on 30 December 2024 approved the issue of 24.9 million ordinary shares to EMR in consideration for the $7.9 million funds injected in early 2025 to complete the conditional component of the institutional placement commenced in September 2024.

At the EGM held on 20 March 2025, shareolder approval was obtained for the issue of new ordinary shares to Yankuang Energy Group Co., Ltd. and its associates for the US$220 million cornerstone investment in Highfield. Shareholder approval was also received for the issue of new ordinary shares in consideration for the acquisition of the Southey potash project in Saskatchewan (Canada).

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 in respect to its exploration activities and aims to ensure that the highest standard of environmental care is achieved, and it complies with all relevant environmental legislation.

The Company has been at all times in full environmental compliance with the conditions of its licences.

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 except where the loss or liability arises out of conduct involving a lack of good faith or 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 the Directors' and Officers' 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 2024 and the number of meetings attended by each Director was as follows:

Director	Board Meetings		Remuneration and Nomination Committee		Audit, Business Risk and Compliance Committee	
	Held	Attended	Held	Attended	Held	Attended
Paul Harris	42	41	3	3	4	4#
Ignacio Salazar	42	42	3	3#	4	4#
Pauline Carr	42	41	3	3	4	4
Roger Davey	42	41	3	3	4	3
Luke Anderson	42	36*	3	3	4	4

 # Attendance at meeting by invitation.

** Did not attend due to a conflict of interest.*

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

Highfield strives to act in a transparent, accountable and responsible manner in all of its business dealings.

Highfield Board of Directors is committed to achieving and demonstrating robust corporate governance practices which are appropriate to the Group's size and stage of development, and which facilitate the long-term performance and sustainability of the Group as well as protect and enhance the interests of its shareholders.

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. In this respect, the Group complies with the majority of recommendations that are set out in the Australian Securities Exchange ("ASX") Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition (the "ASX Principles").

In addition, the Group publishes its corporate governance policies, code of conduct and its Board and committee charters on its website at highfieldresources.com.au/corporate-governance.

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 118 of the annual report.

There were no non-audit services provided by the Company's auditor, Price Waterhouse Cooper ("PwC") Ltd., or associated entities.

Audited Remuneration Report

This report, which forms part of the Directors' report, details the remuneration arrangements in place for the Group's key management personnel ("KMP") for the year ended 31 December 2024. KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing, and controlling the major activities of the Group. This also includes 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 held their positions and were KMP for the whole year, unless stated otherwise:

Non-executive Directors	Position held
Paul Harris	Independent Non-Executive Director
Pauline Carr	Independent Non-Executive Director
Roger Davey	Independent Non-Executive Director (resigned on 21 March 2025)
Luke Anderson	Non-Executive Director
Executives	
Ignacio Salazar	CEO and Managing Director
Javier Aguado	CFO

Remuneration Policy

The Group's remuneration policy is established by the Remuneration and Nomination Committee and is embedded in the Code of Business Conduct and Ethics.

The remuneration policy sets out the broad principles that will be used to structure the remuneration for NEDs and executives, namely:

- align with shareholder and business objectives and expectations;
- attract and retain suitably qualified and experienced people;
- provide a level and composition of remuneration that is reasonable, fair and aligned to market;
- encourage Directors and executives to pursue the long-term growth and success of the Group, balanced against the need to also achieve critical short term business objectives;
- align corporate and individual performance;
- be internally consistent;
- be transparent with respect to setting performance goals and the measurement of performance against those goals; and
- align with regional and industry standards and regulatory requirements.

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 Principles

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 any recommendations from the Committee and consultants.

During the year, the Group engaged remuneration consultant Loftswood to assess the Company's Long Term Incentive Plan for a fee of $12,000 (31 December 2023, Juno Partners to obtain comparable market data on remuneration policies and practices: $14,350).

Review of KMP Remuneration

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")

The Group's policy is to remunerate NEDs at market rates for comparable companies for time, duties and responsibilities.

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.

NED remuneration is reviewed periodically by the Remuneration and Nomination Committee.

Details of NED remuneration during the year are shown below. There has been no increases made to NEDs fees since 2018.

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.

The maximum aggregate amount of fees that can be paid to NEDs is subject to approval by Shareholders at the Annual General Meeting ("AGM"). The last determination was at the AGM held on 24 May 2018 when shareholders approved an aggregate fee pool of $1,000,000 per year.

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. 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.

The STI component included in the Executives' remuneration package represents a meaningful "at risk" STI payment. The payment will be "at risk" in that it will only be payable if a set of clearly defined and measurable performance metrics or KPIs have been met in the applicable performance period.

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 periodically defined by the Executive team, reviewed by the Remuneration and Nomination Committee, and approved by the Board. The Board must set KPIs that are based on metrics that are measurable, transparent, and achievable, designed to motivate and incentivise the recipient to achieve high performance, and are aligned with the Company's short-term objectives and shareholder value creation. KPIs 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 KPIs for the year ended 31 December 2024 were assessed in accordance with the parameters set out in the Remuneration Policy section above.

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.

Summary Group KPI Performance

The STI corporate and strategic KPI performance outcomes for KMPs for the year ended 31 December 2024 were approved by the Board as follows:

KPI Category	Corporate Objective for the year	Weighting for 2024 %	2024 Outcome %
Safety, Health, Environmental and Community	No injuries or any environmental incidents. Local area safety plans prepared and implemented. Good stakeholder relations and strong community support	10	10
Permits	Manage exposure with local administrations and be ready with permits to start construction once funding in place.	7.5	6
Financing	Strategic investors secured to allow Company to reduce the equity gap to a practical level. Successful final equity raise and cash management.	40	22.5
Preparation for Construction	Agreements with contractors in line with FS Nov 2023, Design and Engineering readiness, and Company team in place.	20	17.5
Construction	Initiate construction of main facilities, and initial phases of construction on time and budget	10	5
Sales and Marketing	Update Sales and Marketing Plan.	7.5	7.5
Investor Relations	Project and promote the Company to enhance value to existing shareholders and to expand the pool of potential retail and institutional shareholders for a fundraising	5	3
Total		**100**	**71.5**

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.

The STI awards relate to the achievement of certain KPIs during the relevant year. The 2024 STI was approved by the Board in March 2025 for payment in cash with payment being deferred until either the full capital funding of Muga is completed or, additional funding is obtained and the Board specifically authorises the payment of the 2024 STI.

The cost of the achievements of KPIs for the year ended 31 December 2024 is included as an expense in the financial statements for the year ended 31 December 2024.

Long Term Incentive Award

The LTI awards are aimed specifically at creating long-term shareholder value and the retention of executives and staff participants.

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 and Director, Mr. Luke Anderson, upon their appointments) 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 recipients other than the CEO is then assessed by the CEO and put forward to the Remuneration Committee for its review and then Board approval. The allocation to the CEO is determined by the Remuneration Committee and the Board.
Option type	American options that can be exercised anytime between vesting and expiry.
Vesting conditions	Vesting conditions are primarily linked to the awardee's continuity as 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. The premium for options granted under this scheme is 25%. However, due to changes in the share price between this VWAP and the that at the grant date, the actual premium may be greater or less than 25%.
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.

At the AGM of shareholders held on 30 May 2024, the Company obtained approval to issue 1,000,000 options to one Director, Mr Luke Anderson, as part of his commencement arrangements. The exercise price for Mr Anderson's options is A$0.67. No options over ordinary shares in the Company were granted yet in the FY24 LTI scheme. The Board agreed that the FY24 LTI offers be made to all staff as soon as possible under the existing plan arrangements. The Board has resolved that offers be made to staff under the FY25 Plan.

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 2024 are as below:

	Short term				Post-employment		Long term	
Year ended 31 December 2024	**Base Salary $**	**Fees $**	**STI Awards[1] $**	**Other Benefits[2] $**	**Super annuation $**	**Total $**	**Share-Based Payments[3] $**	**Performance related %**
Non-executive Directors								
Paul Harris	-	120,000	-	-	-	120,000	-	-
Pauline Carr	-	96,000	-	-	-	96,000	-	-
Roger Davey	-	78,000	-	-	-	78,000	-	-
Luke Anderson	-	78,000	-	-	-	78,000	23,000	29%
Executives								
Ignacio Salazar (CEO and MD)	796,790[4]	-	433,854[1]	5,130	-	1,235,774	-[4]	35%
Javier Aguado (CFO)	143,918	-	70,580[1]	6,413	-	220,911	14,437	38%
	940,708	**372,000**	**504,434**	**11,543**	**-**	**1,828,685**	**37,437**	**35%**

[1] *The employees' STI relates to the accrued performance pay for services provided during 2024 which are normally paid at the beginning of 2025. However, the Board has resolved that payment of the 2024 STI award be deferred until the earlier of the completion of the current work in progress transaction with Yankuang Energy or when the Company has a positive funding event which meets the Board's funding requirements..*

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

[3] *Share based payments are non-cash retribution. 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 2024, Mr. Salazar renounced on a voluntary basis 1,759,530 options corresponding to Tranches 2 and 3 of the LTI 2023 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. The annual expense including the acceleration of cancelled options was $132,232. Mr. Salazar's salary increased this year in line with Spanish inflation.*

Note: Management and staff of the Company have adopted a partial furlough scheme reducing 20% to 50% of their salaries starting in March 2025.

Details of remuneration for the year ended 31 December 2023 are shown 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[4] $**	**Performance 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)[4]	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. The 2023 STI award was paid in October 2024 after additional funds to progress Muga were obtained.*

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

[3] *Share based payments are non-cash retribution. 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. The annual expense including the acceleration of cancelled options was $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.

Shareholdings of Directors and Other Key Management Personnel

No shares were granted as remuneration during the year ended 31 December 2024.

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 2024	Balance at the start of the period	Share Purchase Plan acquisition	On-market acquisition	Other changes during the period	Balance at the end of the period
Non-executive Directors					
Paul Harris	-	-	-	-	-
Pauline Carr	62,101	16,728	-	-	78,829
Roger Davey	9,251	-	-	-	9,251
Luke Anderson	495,837	33,456	-	-	529,293
Executives					
Ignacio Salazar (CEO and MD)	126,700	-	113,000	-	239,700
Javier Aguado (CFO)	-	-	-	-	-

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 2024	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	-	-	-	-	-	-	-	-
Roger Davey	-	-	-	-	-	-	-	-
Luke Anderson	40,322	-	(40,322)	-	1,000,000	1,000,000	1,000,000	-
Executives								
Ignacio Salazar (CEO and MD)	5,604,138	-	(925,136)	-	(1,759,530)	2,919,472	2,919,472	-
Javier Aguado (CFO)	531,144	-	(55,538)	-	-	475,606	385,606	90,000[3]

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

June 2019 with an exercise price of $0.83;

June 2020 with an exercise price of $0.81;

September 2020 with an exercise price of $0.47;

September 2021 with an exercise price of $0.865; and

December 2022 with an exercise price of $0.93.

[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 which were granted to him following shareholder approval at the 2024 AGM..*

[3] *The maximum value yet to vest on the options held by Mr. Aguado is $4,452.*

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 are generally 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 ("ESOP") carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 21.

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 2024 other than those disclosed above.

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 the 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 2024 Mr. Salazar's total fixed remuneration was €485,431 (A$796,790).

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 2024 Mr. Aguado's total fixed remuneration was €87,687 (A$143,918).

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 2024 (year ended 31 December 2023: nil).

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

The Company received 97.07% of votes in favour of its Remuneration Report for the financial year ended 31 December 2023 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 2024.

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 2024	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
Loss per share (cents)	(4.75)	(3.11)	(1.58)	(1.96)	(7.40)
Share price (at period end)	$0.23	$0.33	$0.58	$0.90	$0.69
Share price High for the reporting period	$0.44	$0.69	$1.28	$0.91	$0.79
Share price Low for the reporting period	$0.23	$0.29	$0.57	$0.44	$0.26

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
28 March 2025

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2024

	Note	31 December 2024 $	31 December 2023 $
Continuing operations			
Interest received	23	169,396	170,857
Gain/(Loss) on foreign exchange		42,935	(34,600)
Listing and share registry expenses		(204,306)	(135,727)
Professional and consultants' fees	3	(4,685,661)	(1,928,608)
Director and employee costs		(3,498,501)	(3,274,134)
Share-based payments expense	21	(328,625)	(319,469)
Donations		(31,440)	(81,862)
Depreciation	9	(19,493)	(26,274)
Impairment – exploration	10	(910,848)	-
Other expenses	22	(1,899,238)	(1,593,085)
Fair value on convertible note		8,468,461	(1,210,184)
Interest expense		(16,336,758)	(3,682,237)
Loss before income tax		**(19,234,078)**	**(12,115,323)**
Income tax expense	5	-	-
Net loss for the period		**(19,234,078)**	**(12,115,323)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		4,348,953	4,241,079
Other comprehensive income/(loss) for the period net of tax		**4,348,953**	**4,241,079**
Total comprehensive loss for the period		**(14,885,125)**	**(7,874,244)**
Loss per share			
Basic and diluted loss per share (cents)	6	(4.75)	(3.11)

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 2024

	Note	31 December 2024 $	31 December 2023 $
Current Assets			
Cash and cash equivalents	7	11,959,572	14,083,844
Other receivables	8	39,120,297	28,181,863
Total Current Assets		**51,079,869**	**42,265,707**
Non-Current Assets			
Other receivables	8	1,311,542	1,208,422
Property, plant and equipment	9	13,579,883	13,127,954
Deferred exploration and evaluation expenditure	10	155,102,389	147,313,513
Total Non-Current Assets		**169,993,814**	**161,649,889**
Total Assets		**221,073,683**	**203,915,596**
Current Liabilities			
Trade and other payables	11	18,638,568	16,896,675
Short-term bank debt	12	7,499,087	9,889,127
Loans and borrowings	13	40,386,901	-
Derivative financial liability	13	5,478,414	-
Total Current Liabilities		**72,002,970**	**26,785,802**
Non-Current Liabilities			
Loans and borrowings	13	-	22,790,641
Derivative financial liability	13	-	8,017,843
Other non-current liabilities	14	3,787,536	3,026,635
Total Non-Current Liabilities	**13**	**3,787,536**	**33,835,119**
Total Liabilities		**75,790,506**	**60,620,921**
Net Assets		**145,283,177**	**143,294,675**
Equity			
Issued capital	15	223,285,657	206,740,655
Reserves	16	38,997,020	34,319,442
Accumulated losses	17	(116,999,500)	(97,765,422)
Total Equity		**145,283,177**	**143,294,675**

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 2024

Year ended 31 December 2023	Issued capital $	Accumulated losses $	Share-based payments reserve $	Foreign currency 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**

Year ended 31 December 2024	Issued capital $	Accumulated losses $	Share-based payments reserve $	Foreign currency translation reserve $	Other reserves $	Total $
Balance at 1 January 2024	**206,740,655**	**(97,765,422)**	**26,778,823**	**7,539,619**	**1,000**	**143,294,675**
Total comprehensive loss for the period						
Loss for the period	-	(19,234,078)	-	-	-	(19,234,078)
Other comprehensive gain - foreign currency translation	-	-	-	4,348,953	-	4,348,953
Total comprehensive loss for the period	**-**	**(19,234,078)**	**-**	**4,348,953**	**-**	**(14,885,125)**
Transactions with owners in their capacity as owners						
Conversion of options	-	-	-	-	-	-
Issue of securities	17,015,224	-	-	-	-	17,015,224
Exercised shares from share-based payment reserve	-	-	-	-	-	-
Cost of issue	(470,222)	-	-	-	-	(470,222)
Share-based payment	-	-	328,625	-	-	328,625
Balance at 31 December 2024	**223,285,657**	**(116,999,500)**	**27,107,448**	**11,888,572**	**1,000**	**145,283,177**

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 2024

	Note	31 December 2024 $	31 December 2023 $
Cash flows from operating activities			
Payments to suppliers and employees		(9,673,143)	(10,872,634)
Interest (paid)/received		89,461	152,816
Other receipts including GST/VAT received		777,750	810,702
Net cash used in operating activities	**7**	**(8,805,932)**	**(9,909,116)**
Cash flows from investing activities			
Purchase of plant and equipment		(108,738)	(951,307)
Payments for exploration and evaluation expenditure		(5,146,088)	(8,610,752)
Net cash used in investing activities		**(5,254,826)**	**(9,562,059)**
Cash flows from financing activities			
Proceeds from issue of securities		17,015,224	-
Proceeds from conversion of options		-	-
Payments for share issue costs		(472,515)	-
Payments of project finance fees		(12,619,942)	(11,566,518)
Proceeds from convertible note		7,574,218	26,070,098
Payments for convertible note		-	(154,036)
Net cash provided by financing activities		**11,496,985**	**14,349,544**
Net (decrease)/ increase in cash and cash equivalents		(2,563,773)	(5,121,631)
Cash and cash equivalents at the beginning of the period		14,083,844	19,446,084
Effect of exchange rate fluctuations on cash		439,501	(240,609)
Cash and cash equivalents at the end of the period	**7**	**11,959,572**	**14,083,844**

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 2024

1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield Resources", "Highfield" or "the Company") for the year ended 31 December 2024 was authorised for issue in accordance with a resolution of the Directors on 27 March 2025.

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

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.

b) Going Concern

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

During the year ended 31 December 2024 the Group recorded a loss of $19.2 million (2023: $12.1 million), net cash outflows from operating activities of $8.8 million (2023: $9.9 million) and was in a net current liability position of $20.9 million as at 31 December 2024. Net assets as at 31 December 2024 were $145.3 million (2023: $143.3 million) and cash and cash equivalents of $12.0 million (2023: $14.1 million). Although the Group had a surplus cash balance at year end, it has no cash generating assets in operation.

To ensure the continuing viability of the Group funds are required to progress the Muga Project ("Muga") in Spain. The construction of the Muga Mine has been funded through the Senior Secured Project Financing facility of €320.6 million and the operating lease on equipment of €25 million. During the year the Group entered into binding agreements with Yankuang Energy Group Co., Ltd ("Yankuang Energy") and a number of strategic investors including Beijing Energy International Holding Co., Ltd ("Beijing Energy") and Singapore Taizhong Global Development Pte. Ltd. ("Taizhong") whereby the Group will issue 687.5 million new ordinary shares for a consideration of US$220 million, which is the remaining funding required to progress phase 1 of Muga.

A condition of the above agreement with Yankuang Energy and the strategic investors requires that the Group acquire the Southey potash project in Canada for a consideration of the issuance of new ordinary shares in the Company. At the date of signing the financial report, this transaction is well progressed as it has received regulatory authorisations from Australia (refer ASX 14 January 2025, "Yankuang Energy receives FIRB Approval" and ASX 6 March 2025 "Beijing Energy receives FIRB approval"), and Canada (refer ASX 24 February 2025, "Highfield Satisfies Condition in relation to the Investment Canada Act to acquire Yancoal Canada") and has been approved by HFR's shareholders at the Extraordinary General Meeting ("EGM") held on 20 March 2025.

If short-term funding is required before receiving the US$220 million from the strategic investors, the Directors are of the view that they could obtain additional funding through a capital raise. The Group has a history of being able to raise equity as evidenced by the cash injection of $7.9 million which was received in early 2025 from the issue of ordinary shares to the major shareholder (refer to note 24). The ability of the Group to continue as a going concern is therefore also dependent on the continued support of its shareholder base in the absence of other funding alternatives and until the funds from the strategic investors are effectively received.

The above conditions indicate 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) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") at 31 December 2024 and at 31 December 2023 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 unless the transaction provides evidence of the impairment of the asset transferred.

d) Foreign Currency Translation

Functional and presentational currency

These Group's consolidated financial statements are presented in Australian dollars which is the functional currency of the Group. The functional currency for each entity in the Group is the currency of the primary economic environment in which that entity operates, being Australian dollars for the Australian entities, including Highfield Resources Limited, and Euros for the Spanish subsidiary.

Foreign transactions and operations

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. 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. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

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 to the extent 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 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.

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

h) Income Tax

Income tax expense comprises current and deferred tax. 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 recognised in other comprehensive income or directly in equity, respectively.

Current Tax

The current income tax charge is calculated based on 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 the amount 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.

Deferred Tax

Deferred tax assets and liabilities are recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts at the balance and 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, except when:

- the deferred income tax asset or 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 Tax Assets ("DTA") are recognised for all deductible temporary differences and unused tax losses only to the extent that it is probable that taxable amounts will be available to utilis those temporary differences and losses.

The carrying amount of recognised and unrecognised DTAs are reassed at each reporting date and reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised DTAs are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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) Goods and Services Tax (“GST”) and Value Added Tax (“VAT”)

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 in the period in which the expense is incurred or asset purchased.

Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST/VAT.

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 Non-financial Assets

Non-financial 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. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. The value in use is the present value of the estimated future cashflows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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 and cash equivalents include cash on hand, deposits held at call with financial institutions, other 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 the 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) Current and Non-Current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Current Assets

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the Group’s normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

Current Liabilities

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

m) 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. The amounts are unsecured and are usually paid within 30 to 45 days of recognition.

These amounts are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

n) 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.

o) 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 received.

p) Earnings/Loss Per Share

The Company presents basic and diluted earnings/loss per share data for its ordinary shares.

Basic earnings/loss per share is calculated by dividing the net profit/loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings/loss per share is determined by adjusting the net profit/loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and Directors of the Group.

q) Share-based Payments

Equity settled transactions

Under the Company's Employee Share Option Plan ("ESOP"). Individuals acting as, and providing services similar to, employees and Directors are granted benefits in the form of share-based payment transactions, whereby individuals receive shares or rights over shares in exchange for their services ("equity settled transactions").

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 set out in note 21. 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 individuals under the ESOP 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 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 as an expense 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 best estimate of the number of awards that, in the opinion of the Directors of the Company, are likely to vest based on the 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 amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Where an equity settled award is cancelled during the vesting period, it is treated as an acceleration of vesting, and any expense not yet recognised for the award is recognised immediately. A forfeiture occurs when there is a failure to meet a condition attached to an award. In this case, no accounting entry is made because they are already taken into account when determining the grant date fair value. The expiry (or lapsing) of a vested award has no accounting implications either.

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 on which the award was 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.

The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

r) Convertible Notes

Convertible notes are classified as a financial liability on the grounds it represents 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.

Convertible Note

The Group measures the initial fair value of the embedded derivative portion of the convertible notes 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) at the date the contract was signed. Subsequent valuations to adjust the derivative to its fair value are carried out with movements being recognised through the statement of profit and loss. While inputs to the binomial method are generally quoted prices, indirectly observable items (i.e. volatility) are also factored into.

t) New and Amended Standards and Interpretations

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. It has been further determined that there is no material impact from the adoption of new and revised Accounting Standards and Interpretations.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted.

3. Professional and Consultants' Fees

	31 December 2024 $	31 December 2023 $
Professional and consultants' fees		
Corporate advisory fees	(1,575,087)	(396,076)
Legal fees	(1,503,558)	(370,424)
Financial advisory fees	(1,465,614)	(1,017,843)
Other fees	(141,402)	(144,265)
	(4,685,661)	**(1,928,608)**

The increase in 2024 is due to the engagement with financing advisors and legal counsels related to the negotiations around the cornerstone investment and inter-conditional acquisition of the Southey potash project in Saskatchewan (Canada).

4. Auditors' Remuneration

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

	31 December 2024 $	31 December 2023 $
Amounts received or due and receivable by the parent auditor for:		
- an audit or review of the financial report	110,557	82,558
- 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	30,845	35,448
	141,402	**118,006**

5. Income Tax

a) Income Tax Expense

	31 December 2024 $	31 December 2023 $
Major component of tax expense for the period:		
Current tax	-	-
Deferred tax	-	-
	-	**-**

b) Reconciliation of Income Tax Expense Prima Facie Tax Payable

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 2024 $	31 December 2023 $
Loss from continuing operations before income tax expense	(19,234,078)	(12,115,323)
Tax calculated at domestic tax rates applicable to profit/(losses) in the respective countries (Spain 28.0%, Australia 30.0%)	(2,618,634)	(3,514,690)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	(674,671)	25,116
Net income tax (loss)/benefit not brought to account	3,293,305	3,489,574
Difference in overseas tax rates	-	-
Income tax expense	**-**	**-**

c) Deferred Tax

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

	31 December 2024 $	31 December 2023 $
Net deferred tax asset not recognised	**25,100,256**	**19,737,331**

d) Unused Tax Losses

	31 December 2024 $	31 December 2023 $
Unused tax losses for which no deferred tax asset has been recognised	**72,756,187**	**53,955,667**

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 absorb tax losses;

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 2024 $	31 December 2023 $
Loss used in calculating basic and diluted EPS	(19,234,078)	(12,115,323)

	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share	404,920,465	389,982,788
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	404,920,465	389,982,788
Basic and diluted loss per share (cents)	**(4.75)**	**(3.11)**

The 12,136,037 options outstanding at 31 December 2024, (31 December 2023: 29,737,486 options, 18,931,052 owned by Group NEDs 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.

As set out in note 24 on 16 January 2025, 24.9 million ordinary shares were issued to EMR in consideration for the $7.9 million funds injected to complete the conditional component of the institutional placement commenced in September 2024. This transaction will have a moderate impact on the basic and diluted loss per share.

7. Cash and Cash Equivalents

	31 December 2024 $	31 December 2023 $
Reconciliation of cash		
Cash at bank	11,959,572	14,083,844
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(19,234,078)	(12,115,323)
Non-cash and non-operating items in operating loss after tax:		
Share-based payments	328,625	319,469
Net loss/(gain) on foreign exchange	(42,935)	34,600
Depreciation	19,493	26,274
Impairment of exploration assets	910,848	-
Accrued interests not paid	(79,935)	(18,041)
Finance expense on convertible note	7,482,614	4,892,421
Change in assets and liabilities		
(Increase)/Decrease in trade and other receivables	308,845	59,191
(Decrease)/Increase in trade and other payables	1,500,591	(3,107,707)
Net cash used in operating activities	**(8,805,932)**	**(9,909,116)**

8. Other Receivables

	31 December 2024 $	31 December 2023 $
Current		
GST receivable	162,698	76,415
VAT receivable	196,239	206,691
Deposits	9,132	651
Prepaid expenses	38,752,228	27,898,106
	39,120,297	**28,181,863**

Non-current		
Guarantees	1,311,542	1,208,422
	1,311,542	**1,208,422**

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. Prepaid expenses can be broken down as follows:

	31 December 2024 $	31 December 2023 $
Prepaid expenses		
Banks' upfront fees	12,098,482	11,731,176
Banks' commitment fees[1]	20,179,382	9,889,127
Agent fees	657,328	637,372
Legal fees	852,659	826,772
Financial advisor success fees	3,095,340	3,001,366
Due diligence costs	1,869,037	1,812,293
	38,752,228	**27,898,106**

[1] Part of this amount has not yet been paid. Refer to note 12.

9. Property, Plant and Equipment

	31 December 2024 $	31 December 2023 $
Cost	14,261,956	13,779,758
Accumulated depreciation and impairment	(682,073)	(651,804)
Net carrying amount	**13,579,883**	**13,127,954**
Movements in Property, Plant and Equipment		
Opening balance	13,127,954	4,783,362
Additions	49,627	8,199,165
Net exchange differences on translation	421,795	171,701
Depreciation charge for the period	(19,493)	(26,274)
Closing balance	**13,579,883**	**13,127,954**

Property, Plant and Equipment include the initial construction works around the mine gate and the amounts of the Construction Tax payable to the Townhalls of Sangüesa and Undués de Lerda.

10. Deferred Exploration and Evaluation Expenditure

	31 December 2024 $	31 December 2023 $
Exploration and Evaluation phase - at cost		
Opening balance	147,313,513	126,574,416
Exploration and evaluation expenditure incurred during the period	4,272,250	16,397,459
Impairment	(910,848)	-
Net exchange differences on translation	4,427,474	4,341,638
Closing balance	**155,102,389**	**147,313,513**

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 and commercial exploitation (or alternatively sale) of the Muga-Vipasca Potash Project.

Exploration and evaluation assets are assessed for impairment if sufficient facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Any impairment loss is recognised through the Profit and Loss account. An impairment expense of $910,848 (2023: nil) was recorded during the year in relation to expenses recorded earlier in the previously impaired projects of the Company which remained in the books. These expenses were identified after a thorough review of the carrying balance of Muga and mainly related to consultants' costs incurred in prior years.

11. Trade and Other Payables

	31 December 2024 $	31 December 2023 $
Trade payables	10,929,910	9,149,545
Land expropriation payables	5,874,469	5,696,121
Accruals	1,834,189	2,051,009
	18,638,568	**16,896,675**

Trade payables, provisions 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.

A significant portion of the trade payables represent the Construction tax payable to the Townhall of Sangüesa ($7.8 million).

The provision for land expropriation reflects the payments the Company agreed to make to the owners with whom a settlement was reached after the completion of the expropriation process.

12. Short Term Bank Debt

	31 December 2024 $	31 December 2023 $
Commitment fees	7,499,087	9,889,127
	7,499,087	**9,889,127**

Short Term Bank Debt 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.

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

13. Convertible Notes and Conversion Option

	31 December 2024 $	31 December 2023 $
Current		
Host debt component – Convertible Note	40,386,901	-
Derivative financial liability – Conversion Option	5,478,414	-
	45,865,315	
Non-current		
Host debt component – Convertible note	-	22,790,641
Derivative financial liability – Conversion option	-	8,017,843
	-	**30,808,484**

On 22 May 2023, the Group entered into a Convertible Note agreement with EMR and Tectonic Investment Management for approximately A$25 million. The agreement with a maturity date of 24 months consisted in the issuance of 1,938 notes (arrangement fee at 2% added to the original 1,900 notes instead of being paid in cash at inception) bearing an interest rate of 14% annually (Tranche 1). The interest will be paid in kind via 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 €320.60 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 714 convertible notes (with a 2% arrangement fee added to the original 700 notes instead of being paid in cash at inception) issued on similar contractual terms to the previous issuance in May 2023 (Tranche 2). The same strategic investors plus another institutional investor were the lenders. Proceeds from the notes owned by the institutional investor were received in December 2023 at which point 102 notes were issued. Proceeds from the remaining 612 notes were received in early 2024. As a result, the corresponding notes were issued in January and February 2024. Upon execution of Tranche 2 the conversion price of the Tranche 1 options was amended.

As a result of these two tranches a total of 2,652 notes are being held by the lenders as at the date of this report. The notes' maturity date is two years from the loan note completion date, 22 June 2025, and have therefore been reclassified to current liabilities as at the date of this report.

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. The embedded derivative is measured at fair value at initial recognition with the subsequent fair value revaluation impact flowing through profit and loss at each reporting period.

With respect to the host instrument, its initial value is the residual amount after separating the embedded derivative on the date the contract is entered into. For subsequent measurement, the host debt is measured at amortised cost using the effective interest method.

For determining the initial fair value of the conversion option, 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) was used with the following assumptions:

a) conversion option price of $0.515 (May 2023) and $0.2832 (Dec 2023) for Tranche 1 and $0.3147 (Dec 2023) for Tranche 2;

b) share price at inception of $0.535 (May 2023), $0.505 (Jun 2023), $0.330 (Dec 2023), $0.305 (Jan 2024) and $0.340 (Feb 2024);

c) expected volatility of 50% applied consistently throughout all the valuations;

d) convertible note term of 2.12 years for the Tranche 1 options and between 0.49 to 1.35 for the Tranche 2 options; and

e) risk free interest rate ranges from 3.374% to 4.074%.

14. Other Non-current Liabilities

	31 December 2024 $	31 December 2023 $
Restoration Provision	231,930	215,468
Other Non-current Liabilities	3,555,606	2,811,167
	3,787,536	**3,026,635**

The Company has a legal obligation to dismantle and remove all the installations it constructs on the mining area and to restore and rehabilitate the land on which they are situated. A provision has therefore been established which reflects the estimated rehabilitation and restoration costs existing at the reporting date, based on the site works undertaken as at the year ended 31 December 2024. The provision amount was discounted to present value using an appropriate discount rate and it is deemed to reflect the best estimate of the expenditure required to meet this obligation when the mine ceases to operate.

When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset and amortised accordingly. At each reporting date the rehabilitation liability is to be reviewed and adjusted to reflect the current best estimate. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised in a consistent way.

Other non-current liabilities relate to the payment which Macquarie Specialised Assets Services Ltd. ("Macquarie") has made on behalf of the Company to a mining equipment supplier. Upon receipt and successful commissioning of the equipment, title will be transferred to Macquarie and a lease agreement on the equipment will commence under the terms set out in the Master Rental Agreement signed with Macquarie. As at the date of this report the Company had utilised US$3.8 million of the funds. Transaction costs in connection with this arrangement are offsetting the lease debt liability.

15. Issued Capital

a) Issued and paid-up capital

	31 December 2024 $	31 December 2023 $
Ordinary shares - Issued and fully paid	223,285,657	206,740,655

b) Movements in ordinary shares on issue

	31 December 2024		31 December 2023	
	Number of shares	$	Number of shares	$
Opening balance	392,183,733	206,740,655	387,042,791	203,613,937
Shares issued[1]	56,926,141	17,015,224	5,140,942	3,140,629
Transaction costs on share issue	-	(470,222)	-	(13,911)
	449,109,874	**223,285,657**	**392,183,733**	**206,740,655**

[1] **December 2024**

- 56,926,141 ordinary shares were issued during the year ended 31 December 2024 via an institutional placement and a subsequent Share Purchase Plan among eligible shareholders at $0.2989 per new share. While the unconditional component of the placement was completed during 2024, the conditional component ($7.9 million) was finalised during January 2025.

[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.

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 each meeting of the Company.

d) Capital risk management

The Company manages its capital to safeguard its ability to continue as a going concern and ultimately to optimise returns to its shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programs and corporate overheads.

The Company was ungeared at period end and not subject to any externally imposed capital requirements. Refer to note 20 for further information on the Company's financial risk management policies.

16. Reserves

	31 December 2024 $	31 December 2023 $
Share-based payments reserve	27,107,448	26,778,823
Foreign currency translation reserve	11,888,572	7,539,619
Other reserves	1,000	1,000
	38,997,020	**34,319,442**
Movements in reserves		
Share-based payments reserve		
Opening balance	26,778,823	26,459,354
Share-based payments expense	328,625	319,469
Options exercised	-	-
Closing balance	**27,107,448**	**26,778,823**

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 21 for further details of the securities issued during the year ended 31 December 2024.

Foreign exchange translation reserve		
Opening balance	7,539,619	3,298,540
Foreign currency translation difference	4,348,953	4,241,079
Closing balance	**11,888,572**	**7,539,619**

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

17. Accumulated Losses

	31 December 2024 $	31 December 2023 $
Movements in accumulated losses were as follows		
Opening balance	(97,765,422)	(85,650,099)
Loss for the period	(19,234,078)	(12,115,323)
Closing balance	**(116,999,500)**	**(97,765,422)**

18. 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 2024 $	31 December 2023 $
Short-term benefits	1,828,685	1,669,776
Share-based payments	169,669	284,141
Post-employment	-	4,122
Total	**1,998,354**	**1,958,039**

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.

19. Related Party Disclosures

a) Key management personnel

Please refer to note 18 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 2024	31 December 2023
KCL Resources Limited	Australia	100%	100%
Geoalcali SLU	Spain	100%	100%

20. Financial Risk Management

The Group's activities expose it to a number of risks arising from its financial instruments. The principal financial instruments as at reporting date include cash, other receivables (excluding net GST/VAT receivables), deposits and payables.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to meet all its financial commitments and maintain the capacity to fund its exploration and evaluation activities, which primarily relate to the Muga Potash Project.

The Board of Directors has overall responsibility for the establishment and oversight of the Risk Management Framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of risk.

The Company has exposure to the following risks:

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 2024, 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

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return 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.

The entire balance of cash and cash equivalents for the Group is subject to interest rate risk. All other financial assets and liabilities, in the form of receivables, deposits and payables are non-interest bearing.

At 31 December 2024, the variable interest rate exposure of the Group was:

	31 December 2024 $	31 December 2023 $
Interest bearing financial instrument		
Cash at bank or at hand	11,959,572	14,083,844

The Company maintains the majority of its cash and cash equivalents in Euros and Australian dollars. For the year ending December 31, 2024, the interest earned on Euro balances amounted to €49,363, while the interest earned on Australian dollar balances was $89,430. In the year ending December 31, 2023, the Company earned $170,857 due to favorable interest rate conditions.

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

Interest rate sensitivity

The Company's interest rate sensitivity is determined by the amount of cash it holds in both Euros and Australian Dollars. The Australian dollar interest rate is currently positive at 1.15% whereas the Euro interest rate is at 1.5%.

Based on the Group's interest-bearing financial instruments held as at 31 December 2024, 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 the previous financial year.

	Effect on Post Tax Loss ($) (Increase)/decrease		Effect on Equity incl. accumulated losses ($) Increase/(decrease)	
	31 December 2024	**31 December 2023**	**31 December 2024**	**31 December 2023**
Increase 75 basis points	89,697	105,629	89,697	105,629
Decrease 75 basis points	(89,697)	(105,629)	(89,697)	(105,629)

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 2024, 100% of the Company's cash and cash equivalents were held in financial institutions both in Australia and Spain with a rating from Fitch of BBB+ or above (long term). The Company had no past due or impaired debtors as at 31 December 2024.

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 2024	31 December 2023	31 December 2024	31 December 2023
Euro	23,875,589	26,493,812	10,641,610	1,105,777
US dollars	-	-	-	15
Total	**23,875,589**	**26,493,812**	**10,641,610**	**1,105,792**

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 2024		
Profit or loss	-	-
Translation Reserve	(1,470,444)	1,203,088
31 December 2023		
Profit or loss	-	-
Translation Reserve	(2,820,891)	2,308,002

e) Fair Value

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

i) Fair value hierarchy

Inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement itself is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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 in the table below:

Recurring fair value measurements	Note	Level 1	Level 2	Level 3	Total
At 31 December 2024					
Financial liabilities		**-**	**-**	**-**	**-**
Derivative financial liability – Conversion Option	13	-	5,478,414	-	5,478,414
Total financial liabilities			**5,478,414**	**-**	**5,478,414**

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

There were no transfers between levels 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 by 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. binomial method).

21. 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 2024 $	31 December 2023 $
Options issued during the period	23,000	127,003
Options issued in prior periods	305,625	192,466
	328,625	**319,469**

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 is determined using the binomial method and taking into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

No options were granted to employees for the financial year commencing 1 January 2024 under the ELTIP plan. However, 1,000,000 options exercisable at $0.67 and expiring on 30 June 2027 were issued to one Director during the year ended 31 December 2024:

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
14/06/2024	30/06/2027	$0.67	-	1,000,000[1]	-	-	1,000,000	1,000,000
				1,000,000	**-**	**-**	**1,000,000**	**1,000,000**

[1] Options granted to Non-Executive Director Mr. Luke Anderson as part of his commencement arrangements upon approval by the Company's shareholders at the 2024 AGM. There are no service vesting or performance vesting conditions in respect of these options.

The model inputs for the options granted during the year ended 31 December 2024 were as follows:

a) options were granted for no consideration;

b) expected lives of the options range from 3.51 to 5.51 years;

c) share price at grant date of $0.335 (14 Jun 2024);

d) expected volatility at 50%;

e) expected dividend yield of Nil; and

f) a risk free interest rate from 4.011%.

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 vested 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 or meeting the good leaver requirement as determined by the Board.

[5] Options granted to the Chief Financial Officer. The options vested on satisfaction of the recipient's continued employment vesting condition at 31 December 2024 or meeting the good leaver requirement as determined by the Board.

[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 or meeting the good leaver requirement as determined by the Board.

[7] Options granted to other employees. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2023 or meeting the good leaver requirement as determined by the Board.

[8] Options granted to other employees. The options vested on satisfaction of the recipients' continued employment vesting condition at 31 December 2024 or meeting the good leaver requirement as determined by the Board.

[9] Options granted to other employees. The options will vest on satisfaction of the recipients' continued employment vesting condition at 31 December 2025 or meeting the good leaver requirement as determined by the Board.

The model inputs for the 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%.

As at the date of this report there were 12,136,037 unissued ordinary shares under options held by Group NEDs and employees.

The details of the options on issue at the year ended 31 December 2024 are as follows:

Number	Exercise Price $	Expiry Date
1,000,000	$1.07	30 June 2025
1,051,106	$0.81	31 December 2025
333,334	$0.47	31 December 2025
1,439,678	$0.865	31 December 2025
1,377,163	$0.94	31 December 2025
1,298,553	$0.865	31 December 2026
640,722	$0.94	31 December 2026
1,671,434	$0.79	31 December 2026
1,000,000	$0.67	30 June 2027
640,715	$0.94	31 December 2027
791,666	$0.79	31 December 2027
891,666	$0.79	31 December 2028
12,136,037		

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

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

	31 December 2024		31 December 2023	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Opening balance	$0.898	18,931,052	$0.886	25,013,617
Granted	$0.670	1,000,000	$0.790	5,314,296
Forfeited	$0.885	(274,608)	$0.875	(149,601)
Cancelled	$0.790	(1,759,530)	$0.940	(1,472,878)
Lapsed	$0.822	(5,760,877)	$0.803	(9,774,382)
	$0.931	**12,136,037**	**$0.898**	**18,931,052**
Vested and exercisable at year end	$0.788	11,244,371	$0.850	14,572,867

The weighted average remaining contractual life of options outstanding at end of period is 1.84 years.

22. Other Expenses

	31 December 2024 $	31 December 2023 $
Advertising and promotion	241,320	86,697
Computer and software expenses	122,912	121,120
Subscriptions and memberships	14,073	77,486
Travel & Accommodation	291,132	130,452
Investor relations	209,511	132,781
Projects costs	-	1,797
Insurances	662,677	667,510
Rents	215,033	249,755
Other administration expenses	142,580	125,487
	1,899,238	**1,593,085**

23. Geographic Segment Analysis

a) Net interest (paid)/ received

	31 December 2024 $	31 December 2023 $
Australia	89,430	152,815
Spain	79,966	18,042
	169,396	**170,857**

b) Non-current Assets

	31 December 2024 $	31 December 2023 $
Australia	-	-
Spain	169,993,814	161,649,889
	169,993,814	**161,649,889**

24. Events after the Reporting Period

The Extraordinary General Meeting ("EGM") held on 30 December 2024 approved the issue of 24.9 million ordinary shares to EMR in consideration for the $7.9 million funds injected in early 2025 to complete the conditional component of the institutional placement commenced in September 2024.

At the EGM held on 20 March 2025, approval was obtained for the issue of new ordinary shares to Yankuang Energy Group Co., Ltd. and its associates for the US$220 million cornerstone investment in Highfield. Approval was also received for the issue of new ordinary shares in consideration for the acquisition of the Southey potash project in Saskatchewan (Canada).

25. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 31 December 2024 (December 2023: Nil).

26. Dividends

No dividend was paid or declared by the Company in the year ended 31 December 2024 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 2024.

27. 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 close to 200 well known and valued community projects.

28. Commitments

As of 31 December 2024, the Group had signed multiple contracts for the development of its Muga Project in Spain.

The expected payments in relation to these contracts which were not required to be recognised as liabilities at 31 December 2024 amounted to approximately $272.5 million. Out of this amount, $93.3 million will become commitments once Notices to Proceed are issued to plant and mine equipment suppliers when the funding of Muga is complete. Termination fees at this point would be approximately $0.3 million. Unlike the contracts with equipment suppliers, contracts related to the civil works and ramps construction worth $175.6 million are suspended and will only be resumed when adequate financing is secured. In the meantime, the Company has the option to terminate the contracts at any moment without any termination fee being charged. The rest of the contracts ($3.6 million) are related to engineering and consultancy services that are invoiced when the services are rendered.

29. Parent Entity Information

The following information relates to the parent entity, Highfield Resources Limited, at 31 December 2024 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 2024 $	31 December 2023 $
Current assets	1,676,899	13,580,627
Non-current assets	217,957,597	160,519,485
Total assets	**219,634,496**	**174,100,112**
Current liabilities	(48,127,380)	(291,991)
Non-current liabilities	-	(30,808,484)
Total liabilities	**(48,127,380)**	**(31,100,475)**
Net assets	**171,507,116**	**142,999,637**
Issued capital	223,285,657	206,740,655
Reserves	27,108,448	26,779,823
Accumulated losses	(78,886,989)	(90,520,841)
Total Equity	**171,507,116**	**142,999,637**

	31 December 2024 $	31 December 2023 $
Loss of the parent entity	(13,466,148)	(7,971,101)
Other comprehensive income for the period	-	-
Total comprehensive loss of the parent entity	**(13,466,148)**	**(7,971,101)**

Consolidated Entity Disclosure Statement

for the year ended 31 December 2024

Entity name	Entity type	Country of incorporation	Ownership interest %	Tax residency
KCL Resources Ltd.	Body corporate	Australia	100	Australia
Geoalcali, S.L.U.	Body corporate	Spain	100	Spain

Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

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 2024 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 2024 and of its performance for the financial year ended on that date,

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 consolidated entity disclosure statement on page 116 is true and correct and the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

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 2024.

On behalf of the Board

Paul Harris
Independent Non-Executive Chairman

Adelaide, Australia
28 March 2025

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Highfield Resources Limited for the year ended 31 December 2024, 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
28 March 2025

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

Independent Auditor's Report

Independent auditor's report

To the members of Highfield Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2024 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 financial report comprises:

- the consolidated statement of financial position as at 31 December 2024
- 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 consolidated entity disclosure statement as at 31 December 2024
- 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.

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 obtaining 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 focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group auditor, or component auditors from other PwC network firms or other networks operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.	Amongst other relevant topics, we communicated the impairment of deferred exploration and evaluation expenditure as a key audit matter to the Audit, Business Risk and Compliance Committee. • This is 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.

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.

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment of deferred exploration and evaluation expenditure *(Refer to note 2(f), note 2(s) and note 10)* Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount.	We have performed the following procedures amongst others: • Evaluated the Group's assessment of whether there were any indicators of impairment, by performing the following procedures amongst others: ○ Considered the latest available

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

Key audit matter	How our audit addressed the key audit matter
To test this the Group performed an analysis of its Muga related capitalised assets to determine if there is any indication of impairment. Judgement is required 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 impairment of deferred exploration and evaluation expenditure was considered a key audit matter given the financial significance of the balance of the FSLI and the significant judgements required by the Group in determining whether future economic benefits are likely.	information relating to the Muga related capitalised assets 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 in the near future. ○ Considered the latest available information regarding the economic viability of Muga related capitalised assets through assessing the NPV which is higher than the value of capitalised exploration and evaluation asset. • Evaluated the reasonableness of the disclosures against the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2024, 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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

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

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://auasb.gov.au/media/bwvjcgre/ar1_2024.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2024.

In our opinion, the remuneration report of Highfield Resources Limited for the year ended 31 December 2024 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
28 March 2025

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 3 March 2025.

Distribution of Shareholders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	267	122,523
1,001 - 5,000	665	1,968,827
5,001 - 10,000	476	3,891,394
10,001 - 100,000	1,025	38,325,568
100,001- and over	351	429,768,731
TOTAL	**2,784**	**474,077,043**

There were 520 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Shareholders

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

Name	Number of shares	%
EMR CAPITAL INVESTMENTS PTE LTD	129,006,044	27.2
WWB INVESTMENTS PTY LTD	34,620,000	7.3
REGAL FUNDS MANAGEMENT PTY LTD	20,930,991	4.4
BOUTIQUE CAPITAL PTY LTD	15,901,000	3.4
HAAN, BENJAMIN	9,695,109	2.0
CARTER, DEREK & CARLSA	9,261,827	2.0
FERGUSON, PETER	8,426,203	1.8
TANG FAMILY	8,358,788	1.8
PRANA GP LTD	6,750,000	1.4
TALISMAN 37 LTD	6,740,363	1.4
THORNTON FAMILY	6,467,711	1.4
JP MORGAN SECURITIES (AUSTRALIA) LTD	5,061,390	1.1
BANK J. SAFRA SARASIN AG	4,600,000	1.0
EDDINGTON FAMILY	4,322,000	0.9
BALL, CRAIG & SUZANNE	3,940,570	0.8
ZAGE, GEORGE RAYMOND	3,635,918	0.8
PETERSON, JASON	3,000,000	0.6
SAWYER, PETER	2,858,287	0.6
STEPHENS, DONALD	2,701,076	0.6
WHITING, MICHAEL & TRACEY	2,645,425	0.6
	288,922,702	**60.9**

Substantial Shareholders

The names of substantial shareholders holding five per cent or more of voting rights in Highfield who have notified the Company in accordance with section 671B of the Corporations Act 2001 (Cth), and the details of their holding at the time of notification, are:

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]	17/01/2025	129,006,044	27.21%
Ordinary Shares	Various holders	WWB Investments Pty Ltd[1]	08/11/2017	34,620,000	7.30%

[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 3 March 2025 of 474,077,043.

Substantial Unlisted Options

Class	Number	Holders with more than 20%
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 $0.47 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 2025	1,439,678	Ignacio Salazar 509,961 options;
Options over ordinary shares exercisable at $0.94 on or before 31 December 2025	1,377,163	Ignacio Salazar 736,440 options;
Options over ordinary shares exercisable at $0.865 on or before 31 December 2026	1,298,553	Ignacio Salazar 459,971 options;
Options over ordinary shares exercisable at $0.79 on or before 31 December 2026	1,671,434	Ignacio Salazar 879,766 options;
Options over ordinary shares exercisable at $0.67 on or before 30 June 2027	1,000,000	Luke Anderson 1,000,000 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

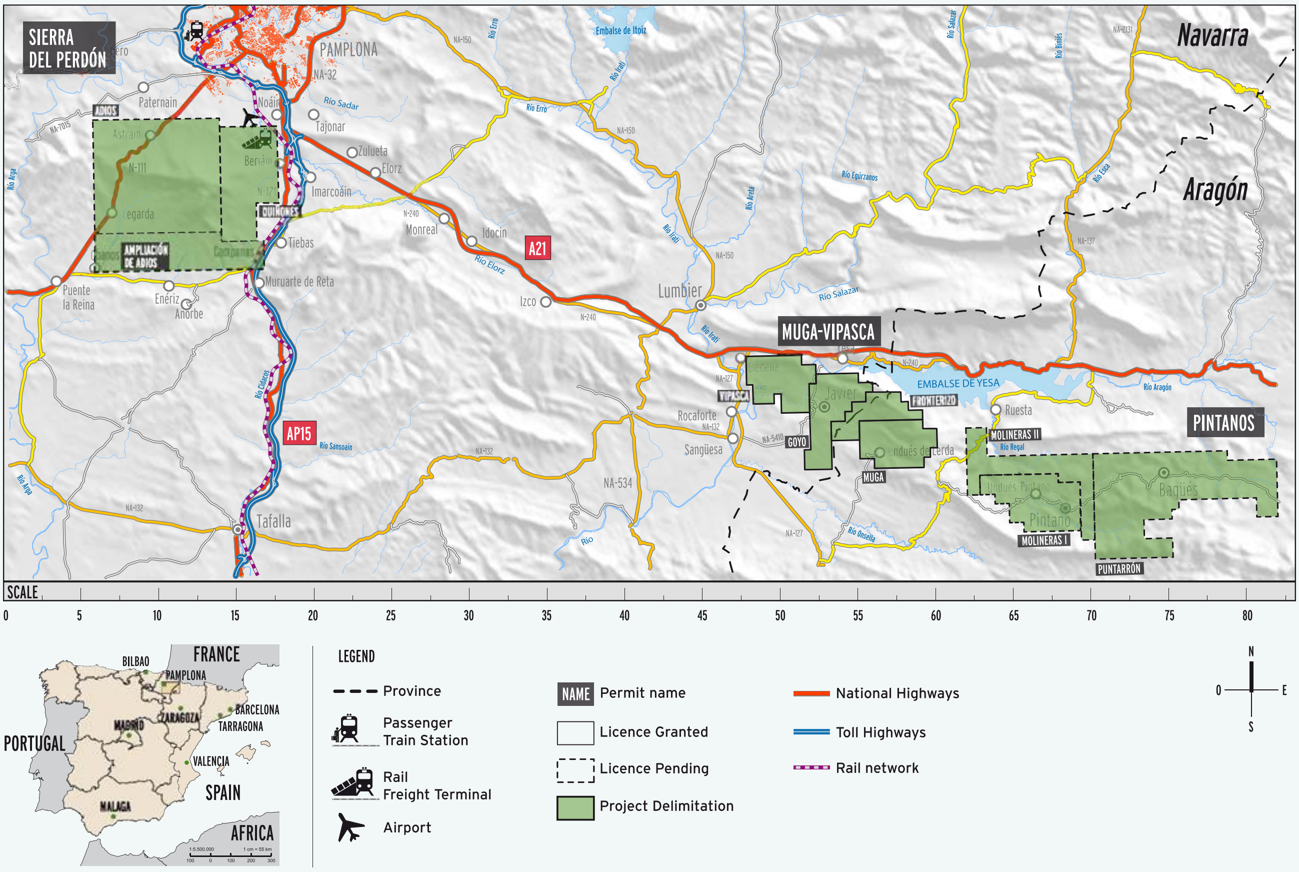
In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the year ended 31 December 2024.

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	Vipasca (area under concession progress)	Investigation	06/11/2013	11/12/2014	35900	14.10	Geoalcali SLU	100%
							14.10		
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	**202.52**		
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 Muga 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 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 Muga 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 Muga-Vipasca 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 Muga 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 Muga 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 more than 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.

Ms. Anna Fardell was a Senior Resource Geologist employed by SRK as of the effective date for the December 2020 Muga-Vipasca 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.

Highfield Resources

highfieldresources.com.au