HIGHFIELD RESOURCES LIMITED
ACN 153 918 257

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

Date of Meeting
12 September 2014

Time of Meeting
11.00 am (Adelaide time)

Place of Meeting
Hilton Adelaide, Suite 3 Level 1,
233 Victoria Square, Adelaide SA

This Notice of General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Independent Expert has concluded that the transaction the subject of Resolution 6 outlined in this Notice of General Meeting is not fair but reasonable to shareholders. The Independent Expert's Report is enclosed with this Notice of General Meeting.

It is recommended that all shareholders read the Independent Expert's Report in full.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 8133 5000.

NOTICE OF GENERAL MEETING

HIGHFIELD RESOURCES LIMITED
ACN 153 918 257

Notice is hereby given that a general meeting of shareholders of Highfield Resources Limited will be held at 11.00 am (Adelaide time) on 12 September 2014 at Hilton Adelaide, Suite 3 Level 1, 233 Victoria Square, Adelaide SA.

RESOLUTION 1: SUBSEQUENT APPROVAL OF THE ISSUE OF 20,325,000 SHARES

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

'*That for the purpose of ASX Listing Rule 7.4 and for all other purposes, subsequent approval is given to the issue by the Company of 20,325,000 ordinary shares on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.*'

RESOLUTION 2: ISSUE OF 18,675,000 SHARES

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

'*That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 18,675,000 ordinary shares on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.*'

RESOLUTION 3: ISSUE OF 1,000,000 SHARES

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

'*That for the purpose ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 1,000,000 ordinary shares to E&E Hall Pty Ltd in its capacity as trustee of the E&E Hall Pty Ltd Superannuation Fund on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.*'

RESOLUTION 4: ISSUE OF 1,000,000 OPTIONS

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

'That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of:

(a) 410,000 options to EMR Capital GP Limited, and

(b) 590,000 options to EMR Capital GP 1 Limited,

on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.'

RESOLUTION 5: ISSUE OF 1,000,000 OPTIONS

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

'That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 1,000,000 options to EMR Capital GP 1 Limited on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.'

RESOLUTION 6: ISSUE OF SHARES PURSUANT TO ITEM 7 OF SECTION 611 OF THE CORPORATIONS ACT

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

'*That for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given to the issue by the Company of:*

(a) 25,000,000 Shares to EMR Capital Investment (No 2B) Pte Ltd on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice;

(b) if Resolution 4 is passed, 410,000 Shares to EMR Capital GP Limited upon exercise of the options issued to it as referred to in Resolution 4; and

(c) if Resolutions 4 and 5 are passed, 1,590,000 Shares to EMR Capital GP 1 Limited upon exercise of the options issued to it as referred to in Resolutions 4 and 5,

which will result in EMR Capital Holdings Pty Ltd's voting power in the Company increasing by up to 10.98% from 25.67% to up to 36.65%.'

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the shareholder approval required under item 7 of section 611 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this resolution to the non-associated shareholders of the Company.

RESOLUTION 7: ISSUE OF OPTIONS TO DEREK CARTER

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

'That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 1,500,000 options to Derek Carter (or his nominee) on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.'

RESOLUTION 8: ISSUE OF OPTIONS TO ANTHONY HALL

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

'That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 4,000,000 options to Anthony Hall (or his nominee) on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.'

RESOLUTION 9: ISSUE OF OPTIONS TO PEDRO RODRIGUEZ

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

'That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 2,500,000 options to Pedro Rodriguez (or his nominee) on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.'

RESOLUTION 10: ISSUE OF OPTIONS TO JOHN CLAVERLEY

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

'That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 2,500,000 options to John Claverley (or his nominee) on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.'

RESOLUTION 11: ISSUE OF OPTIONS TO DONALD STEPHENS

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

'That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 500,000 options to Donald Stephens (or his nominee) on the terms and conditions described in the Explanatory Statement which is attached to and forms part of this Notice.'

DATED 12 August 2014

BY ORDER OF THE BOARD
HIGHFIELD RESOURCES LIMITED

DONALD STEPHENS
COMPANY SECRETARY

NOTES:

1. **Explanatory Statement**

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

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

2. **Voting Exclusion Statements**

2.1 **Resolution 1**

The Company will disregard any votes cast on Resolution 1 by persons who participated in the issue and associates of those persons.

However the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.2 **Resolution 2**

The Company will disregard any votes cast on Resolution 2 by persons who may participate in the proposed issue and persons who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and associates of those persons.

However the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.3 **Resolution 3**

The Company will disregard any votes cast on Resolution 3 by E&E Hall Pty Ltd in its capacity as trustee of the E&E Hall Pty Ltd Superannuation Fund (and its associates).

However the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2.4 **Resolution 4**

The Company will disregard any votes cast on Resolution 4 by EMR Capital GP Limited and EMR Capital GP 1 Limited and persons who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and associates of those persons.

However, the Company need not disregard a vote if:

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

2.5 **Resolution 5**

The Company will disregard any votes cast on Resolution 5 by EMR Capital GP 1 Limited and persons who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and associates of those persons.

However, the Company need not disregard a vote if:

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

2.6 **Resolution 6**

Item 7 of section 611 of the Corporations Act requires that no vote be cast in favour of Resolution 6 by the person proposing to make the acquisition, namely each of EMR Capital Investment (No 2B) Pte Ltd, EMR Capital GP Limited and EMR Capital GP 1 Limited or its associates.

2.7 **Resolutions7, 8 and 9**

(a) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on any of Resolutions7, 8 and 9 if:

- the person is either:
  - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
  - a Closely Related Party of such a member; and

- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
- the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

(b) For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolutions 7, 8 and 9 by a person (and their associates) who is to receive securities in relation to the Company if the relevant Resolution is passed.

However, subject always to paragraph 2.7(a), the Company will not disregard a vote if:

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

2.8 **Resolutions 10 and 11**

(a) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 10 or Resolution 11 if:

- the person is either:
  - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
  - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
- the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the

Company or, if the Company is part of a consolidated entity, for the entity.

(b) For the purposes of the ASX Listing Rules:

- the Company will disregard any votes cast on Resolution 10 by John Claverley (and his nominee) and persons who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and associates of those persons; and

- the Company will disregard any votes cast on Resolution 11 by Donald Stephens (and his nominee) and persons who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and associates of those persons.

However, subject always to paragraph 2.8(a), the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. **Proxies**

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

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

3.1 cast the shareholder's vote online by visiting www.advancedshare.com.au/investors.aspx and entering the shareholder's Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed proxy form; or

3.2 complete and lodge the manual proxy form at the share registry of the Company, Advanced Share Registry Services:

(a) in person at the following address:

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

OR

(b) by post at the following address:

Advanced Share Registry Services

PO Box 1156
NEDLANDS WA 6009

OR

(c) by facsimile on (08) 9262 3723 (within Australia) or +61 8 9262 3723 (outside Australia); or

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

so that it is received no later than 11.00 am (Adelaide time) on 10 September 2014.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on each of Resolutions 7, 8, 9, 10 and 11 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolutions7, 8, 9, 10 and 11 by marking the appropriate box on the proxy form.

Undirected Proxy Voting by the Chair of the Meeting

The chair of the meeting will not vote any undirected proxies in relation to Resolution 7 unless the shareholder specifically authorises the chair to vote in accordance with the chair's stated voting intentions. If a shareholder wishes to nominate the chair as their proxy for the purpose of Resolution 7, the shareholder must either tick the 'for', 'against' or 'abstain' box directing the chair how to vote, or tick the box authorising the chair to vote in accordance with his or her stated voting intention, on the enclosed proxy form in order for their proxy vote to be counted. Alternatively, shareholders can nominate as their proxy for the purpose of Resolution 7 a proxy who is not a member of the Company's Key Management Personnel or a Closely Related Party. That person would be permitted to vote undirected proxies.

The chair intends to vote undirected proxies in favour of each item of business.

4. Voting Entitlement

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7.00 pm (Adelaide time) on 10 September 2014 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. Corporate Representative

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

EXPLANATORY STATEMENT

This Explanatory Statement forms part of a Notice convening a General Meeting of shareholders of Highfield Resources Limited to be held on 12 September 2014. This Explanatory Statement is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Statement, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 11.

All resolutions are ordinary resolutions. They are separate resolutions and in no way dependent on each other.

1. Overview

1.1 General

On 13 June 2014, the Company announced a placement of 65 million Shares in two tranches to raise $32 million to be used to fast track development activities at the Company's three 100% owned Spanish potash projects.

The first tranche of 20,325,000 Shares (**Tranche 1 Shares**) were issued on 23 and 25 June 2014. The purpose of Resolution 1 is to obtain shareholder approval for the issue of the Tranche 1 Shares for the purpose of ASX Listing Rule 7.4 and for all other purposes.

Subject to obtaining shareholder approval, the second tranche of 44,675,000 Shares will be issued to:

- as to 18,675,000 Shares (**Tranche 2 Shares**), professional and/or sophisticated investors. The purpose of Resolution 2 is to obtain shareholder approval for the purpose of ASX Listing Rule 7.1 and for all other purposes;

- as to 1,000,000 Shares (**Tranche 2 E&E Hall Shares**), E&E Hall Pty Ltd in its capacity as trustee of the E&E Hall Pty Ltd Superannuation Fund. The purpose of Resolution 3 is to obtain shareholder approval for the purpose of ASX Listing Rule 10.11 and for all other purposes;

- as to 25 million Shares (**Tranche 2 EMR Shares**), EMR Capital Investment (No 2B) Pte Ltd pursuant to a Subscription Agreement dated 28 July 2014 (**Subscription Agreement**). The issue of the Tranche 2 EMR Shares alone will result in EMR Capital Holdings Pty Ltd's voting power in the Company increasing by up to 10.98% from 25.67% to up to 36.65%. The purpose of Resolution 6 is to obtain shareholder approval for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes for the issue of the Tranche 2 EMR Shares as well as for the issue of an additional 2,000,000 Shares upon exercise of the EMR Options 1 and EMR Options 2 referred to below. The issue of only the Tranche 2 EMR Shares and the 2,000,000 Shares upon exercise of the EMR Options 1 and the EMR Options 2 will result in EMR Capital Holdings Pty Ltd's voting power in the Company increasing by up to 10.98% from 25.67% to up to 36.65%.

The Board of Directors approved the issue of options to Directors in February 2014. These options formed part of the remuneration arrangements for the services provided

by each of the Directors and were agreed subject to approval at the next convened meeting of shareholders of the Company. Resolutions 4, 5, 7, 8 and 9 seek shareholder approval for the issue of a total of 10,000,000 options. This issue of 10,000,000 options includes a total of 2,000,000 options which were proposed to be issued to Mr Owen Hegarty (as to 1 million options) and Mr Richard Crookes (as to 1 million options).

However, to ensure compliance with EMR's internal governance and policies, Mr Hegarty (who is the Chairman of EMR) and Mr Crookes (who is EMR's nominee non-executive Director to the Board of the Company) have requested that the proposed issue of options to them for services they provide as Directors are issued to nominee entities within the EMR group. The Company has considered, and agreed to, this request. It is therefore proposed that, in accordance with the Subscription Agreement and pursuant to Resolutions 4 and 5, the EMR group be granted the following options in lieu of such remuneration:

- EMR Capital GP Limited (**EMR GP**) be granted 410,000 options (**EMR Options 1**); and

- EMR Capital GP 1 Limited (**EMR GP 1**) be granted 1,590,000 options (**EMR Options 2**).

The aggregate number of EMR Options 1 and EMR Options 2 is the same as the aggregate number of options (as approved by the Board of Directors (subject to shareholder approval) in February 2014) which would have been offered to Mr Hegarty and Mr Crookes.

The purpose of Resolution 4 is therefore also to obtain shareholder approval for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes for the issue of an additional 2,000,000 Shares upon exercise of EMR Options 1 and EMR Options 2.

1.2 **Subscription Agreement**

EMR Capital Investment (No 2B), the Company, EMR GP and EMR GP 1 are the parties to the Subscription Agreement. EMR GP and EMR GP 1 were only included as parties to facilitate the issue of the EMR Options 1 and EMR Options 2 in the circumstances referred to above.

The material terms of the Subscription Agreement are set out below.

Tranche 2 EMR Shares

(a) EMR Capital Investment (No 2B) agrees to subscribe for and the Company agrees to allot and issue to EMR Capital Investment (No 2B), the Tranche 2 EMR Shares if Resolution 6 is passed.

(b) Allotment and issue of the Tranche 2 EMR Shares is to take place no later than 5 business days after Resolution 6 is passed or such other date as EMR Capital Investment (No 2B) and the Company may agree (**Shares Completion**), and at the same time EMR Capital Investment (No 2B) must pay to the Company $12,750,000 i.e. $0.51 issue price per Share.

(c) Within 5 business days after the date of the Shares Completion, the Company will procure that official quotation of the Tranche 2 EMR Share on the ASX, is granted.

(d) So that EMR Capital Investment (No 2B) is not prevented by the Corporations Act from trading the Tranche 2 EMR Shares within 12 months after the date of their issue unless a prospectus is lodged with ASIC, the Company is required to lodge with ASX on the first business day after the issue of the Tranche 2 EMR Shares a 'cleansing notice' which meets the requirements of section 708A(5) and (6) of the Corporations Act. However, if the Company is not eligible to give a 'cleansing notice', the Company must lodge a prospectus with ASIC as soon as reasonably practicable after the issue of the Tranche 2 EMR Shares.

Tranche 2 Shares and Tranche 2 E&E Hall Shares

(e) The Company warrants to EMR Capital Investment (No 2B) that it has binding unconditional subscriptions at the issue price of $0.48 per Share in respect of the Tranche 2 Shares and the Tranche 2 E&E Hall Shares and that completion of the allotment and issue of those Shares will take place on the day that is no later than 5 business days after the passing of Resolutions 2 and 3 or such other date as the Company and EMR Capital Investment (No 2B) may agree.

Company's Obligations

(f) The Company undertakes:

(i) to engage an independent expert to prepare a report of the nature of the Independent Expert's Report,

(ii) to convene the Meeting, and

(iii) other obligations of the nature which one would usually expect to be included in an agreement of this type.

EMR Capital Investment (No 2B)'s Obligations

(g) EMR Capital Investment (No 2B) undertakes to:

(i) provide all assistance and information known to it which is reasonably required by the Company or the Independent Expert in connection with the preparation of the Notice of Meeting, Explanatory Statement and Independent Expert's Report, and

(ii) provide any further or new material information of which EMR Capital Investment (No 2B) becomes aware after the Notice of Meeting has been dispatched until the later of the issue of the Tranche 2 EMR Shares, the Tranche 2 Shares and the Tranche 2 E&E Hall Shares.

Use of Funds Raised

(h) The Company states that it intends to use the proceeds of the issue of the Tranche 1 Shares, Tranche 2 EMR Shares, Tranche 2 Shares and Tranche 2 E&E Hall Shares as follows:

Description	**Use of Proceeds**
Javier Project development activities	10.0 million
Sierra del Perdón development activities	5.5 million
Pintano Project development activities	4.5 million
Javier long lead initial capital expenditure items	5.0 million
Working capital	6.0 million
Offer costs	1.0 million

However, it is agreed that the Company may alter this use to the extent that, acting reasonably, its Board considers any such alterations to be in the best interests of the Company and its subsidiaries.

EMR Options 1 and EMR Options 2

(i) Subject to the passing of Resolutions 4 and 5, the Company offers:

(i) the EMR Options 1 to EMR GP, and

(ii) the EMR Options 2 to EMR GP 1,

and EMR GP and EMR GP 1 accept such Options.

(j) The Options are to be issued within 5 business days after the passing of Resolutions 4 and 5 or such other date as EMR Capital Investment (No 2B) and the Company agree.

Company Warranties

(k) The Company gives certain warranties in favour of EMR Capital Investment (No 2B), such warranties being of the nature which one would usually expect to be included in an agreement of this type.

Termination

(l) The agreement and the rights and obligations to issue the Tranche 2 EMR Shares may be terminated:

(i) by EMR Capital Investment (No 2B), if the Company is in breach of its obligations or warranties under the agreement and EMR Capital Investment (No 2B) has given notice to the Company and the relevant circumstances continue to exist for 2 business days (or any shorter

period ending at 5.00pm on the day before the Tranche 2 EMR Shares are due to be issued) from the time such notice is received;

(ii) by the Company, if EMR Capital Investment (No 2B) is in breach of its obligations or warranties under the agreement and the Company has given notice to EMR Capital Investment (No 2B) and the relevant circumstances continue to exist for 2 business days (or any shorter period ending at 5.00pm on the day before the Tranche 2 EMR Shares are due to be issued) from the time such notice is received;

(iii) by EMR Capital Investment (No 2B) or the Company if the Independent Expert opines that the issue of the Tranche 2 EMR Shares at $0.51 per Share is not reasonable to the Company's shareholders;

(iv) by EMR Capital Investment (No 2B), if the Board changes or withdraws its favourable recommendation in relation to the transaction; and

(v) by EMR Capital Investment (No 2B), if Resolution 6 is not passed by 30 September 2014 or an event occurs which would prevent Resolution 6 being passed by such date.

2. **Resolution 1: Subsequent approval of the issue of 20,325,000 shares**

ASX Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting, unless an exception in ASX Listing Rule 7.2 applies.

However, ASX Listing Rule 7.4 provides that an issue of equity securities made without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1 if:

- the issue did not breach ASX Listing Rule 7.1; and
- holders of ordinary securities subsequently approve it.

The issue of the Tranche 1 Shares did not result in the Company breaching the 15% limit referred to in ASX Listing Rule 7.1. The issue of the Tranche 1 Shares does not therefore depend upon shareholders passing Resolution 1. The purpose of Resolution 1 is to obtain shareholder approval for the purpose of ASX Listing Rule 7.4 and for all other purposes. If shareholders approve the issue of the Tranche 1 Shares for the purpose of ASX Listing Rule 7.4, the issue of the Tranche 1 Shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the Tranche 1 Shares for the purpose of ASX Listing Rule 7.4, the issue of the Tranche 1 Shares will count towards the number of equity securities which the Company can issue in any 12 month period.

For the purpose of ASX Listing Rule 7.5 information regarding the Tranche 1 Shares is provided as follows:

- 20,325,000 Tranche 1 Shares have been issued.

- The Tranche 1 Shares have been issued at an issue price of $0.48 each.

- The terms and conditions of the Tranche 1 Shares are the same as the terms and conditions of already issued fully paid ordinary shares in the Company.

- The allottees of the Tranche 1 Shares are professional and/or sophisticated investor applicants for Tranche 1 Shares (who are not related parties of the Company) as determined by the Board.

- Funds raised from the issue of the Tranche 1 Shares will be used to fast track development activities at the Company's three 100% owned Spanish potash projects.

Resolution 1 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 1.

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

3. **Resolution 2: Issue of 18,675,000 shares**

A summary of ASX Listing Rule 7.1 is set out in Section 2 of this Explanatory Statement.

The issue of the Tranche 2 Shares without shareholder approval will result in the Company breaching the 15% limit referred to in ASX Listing Rule 7.1 if Resolution 1 is not passed. The issue of the Tranche 2 Shares therefore depends upon shareholders passing Resolution 2. The purpose of Resolution 2 is to obtain shareholder approval for the purpose of ASX Listing Rule 7.1 and for all other purposes. Even if shareholders approve Resolution 1 and then approve the issue of the Tranche 2 Shares for the purpose of ASX Listing Rule 7.1, the issue of the Tranche 2 Shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the Tranche 2 Shares for the purpose of ASX Listing Rule 7.1, the issue of the Tranche 2 Shares will not occur.

For the purpose of ASX Listing Rule 7.3 information regarding the Tranche 2 Shares is provided as follows:

- A maximum of 18,675,000 Tranche 2 Shares will be issued.

- If Resolution 2 is passed, the Tranche 2 Shares will be issued no later than three months after the date of the Meeting.

- The Tranche 2 Shares will be issued at an issue price of $0.48 each.

- The allottees of the Tranche 2 Shares will be professional and/or sophisticated investor applicants for Tranche 2 Shares (who are not related parties of the Company) as determined by the Board.

- The terms and conditions of the Tranche 2 Shares are the same as the terms and conditions of already issued fully paid ordinary shares in the Company.

- Funds raised from the issue of the Tranche 2 Shares will be used to fast track development activities at the Company's three 100% owned Spanish potash projects.

- All of the Tranche 2 Shares will be allotted on one date.

Resolution 2 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 2.

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

4. Resolution 3: Issue of 1,000,000 shares

4.1 Chapter 2E of the Corporations Act

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

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

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

The issue of Tranche 2 E&E Hall Shares constitutes giving a financial benefit and E&E Hall Pty Ltd in its capacity as trustee of the E&E Hall Pty Ltd Superannuation Fund is a related party of the Company by virtue of it being an entity controlled by the father of Mr Anthony Hall, the Company's Managing Director.

The Directors consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because the issue of the Tranche 2 E&E Hall Shares is:

(a) on the same terms as the issue of the Tranche 2 Shares; and

(b) on terms that would be reasonable in the circumstances if the Company and E&E Hall Pty Ltd in its capacity as trustee of the E&E Hall Pty Ltd Superannuation Fund were dealing at arm's length,

and therefore falls within the exception set out in section 210 of the Corporations Act.

4.2 ASX Listing Rule 10.11

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

As the issue of the Tranche 2 E&E Hall Shares involves the issue of securities to a related party of the Company, shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

4.3 **Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 3:

(a) The Tranche 2 E&E Hall Shares will be issued to E&E Hall Pty Ltd in its capacity as trustee of the E&E Hall Pty Ltd Superannuation Fund.

(b) 1,000,000 Tranche 2 E&E Hall Shares will be issued.

(c) The Tranche 2 E&E Hall Shares will be issued no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

(d) E&E Hall Pty Ltd in its capacity as trustee of the E&E Hall Pty Ltd Superannuation Fund is a related party of the Company by virtue of it being an entity controlled by the father of Mr Anthony Hall, the Company's Managing Director.

(e) The Tranche 2 E&E Hall Shares will be issued at an issue price of $0.48 each.

(f) The terms and conditions of the Tranche 2 E&E Hall Shares are the same as the terms and conditions of already issued fully paid ordinary shares in the Company.

(g) Funds raised from the issue of the Tranche 2 E&E Hall Shares will be used to fast track development activities at the Company's three 100% owned Spanish potash projects.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Tranche 2 E&E Hall Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Tranche 2 E&E Hall Shares will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

Resolution 3 is an ordinary resolution.

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

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

5. **Resolutions 4 and 5: Issue of options to EMR Capital GP Limited and EMR Capital GP 1 Limited**

5.1 **General**

Further to Section 6.1 of this Explanatory Statement, the Company initially agreed to issue 1,000,000 options to each of 2 of its Non-Executive Directors, Richard Crookes and Owen Hegarty.

However, as explained in Section 1.1 of this Explanatory Statement, those options are instead to be issued as follows:

- Resolution 4

- 410,000 options to EMR Capital GP Limited (**EMR GP**); and
- 590,000 options to EMR Capital GP 1 Limited (**EMR GP 1**).

- Resolution 5 – 1,000,000 options to EMR Capital GP 1.

A summary of ASX Listing Rule 7.1 is set out in Section 2 of this Explanatory Statement.

The effect of Resolution 4 will be to allow the Company to issue the options referred to therein during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The effect of Resolution 5 will be to allow the Company to issue the options referred to therein during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 **Technical information required for approval under ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of options:

Resolution 4

(a) The maximum number of options to be issued is 1,000,000.

(b) The options will be issued as follows:

- 410,000 options to EMR GP, and
- 590,000 options to EMR GP 1.

(c) The options will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue will occur on the same date.

(d) The options will be issued to EMR GP in consideration of the payment by it of $10.00, and the options will be issued to EMR GP 1 in consideration of the payment by it of $10.00 which will be applied to the Company's working capital.

(e) The terms and conditions of the options are set out in Schedule A.

Resolution 4 is an ordinary resolution.

As the Directors have an interest in Resolutions 4, 5, 7, 8 and 9, they do not wish to make a recommendation as to how shareholders ought to vote on this Resolution 4.

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

Resolution 5

(a) The maximum number of options to be issued is 1,000,000.

(b) The options will be issued to EMR GP 1.

(c) The options will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue will occur on the same date.

(d) The options will be issued to EMR GP 1 in consideration of the payment by it of $10.00 which will be applied to the Company's working capital.

(e) The terms and conditions of the options are set out in Schedule A.

Resolution 5 is an ordinary resolution.

As the Directors have an interest in Resolutions 4, 5, 7, 8 and 9, they do not wish to make a recommendation as to how shareholders ought to vote on this Resolution 5.

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

6. Resolution 6: Issue of shares pursuant to item 7 of section 611 of the Corporations Act

6.1 General

Resolution 6 seeks shareholder approval for the purpose of item 7 of section 611 of the Corporations Act to allow the Directors to issue 25,000,000 Shares to EMR Capital Investment (No 2B) Pte Ltd (**EMR Capital Investment (No 2B)**). It also seeks approval for the purpose of item 7 of section 611 of the Corporations Act for the issue of:

(a) Shares to EMR GP upon exercise of the EMR Options 1 (if they are issued), and

(b) Shares to EMR GP 1 upon exercise of the EMR Options 2 (if they are issued).

The Board of Directors approved the issue of options to all Directors in February 2014. These options formed part of the remuneration arrangements for the services provided by each of the Directors and were agreed subject to approval at the next convened meeting of the shareholders of the Company. Resolutions 4, 5, 7, 8 and 9 seek shareholder approval for the issues of 10,000,000 options. This issue of 10,000,000 options includes a total of 2,000,000 options which were proposed to be issued to Mr Owen Hegarty (as to 1,000,000 options) and Mr Richard Crookes (as to 1,000,000 options).

However, to ensure compliance with EMR's internal governance and policies, Mr Hegarty (who is the Chairman of EMR) and Mr Crookes (who is an Investment Director of EMR and EMR's nominee non-executive Director to the Board of the Company) have requested that the proposed issue of options to them for services they provide as directors are issued to nominee entities within the EMR group. The Company has considered, and agreed to, this request. It is therefore proposed that the EMR group be granted the EMR Options 1 and EMR Options 2 in lieu of such remuneration. The aggregate number of EMR Options 1 and EMR Options 2 is the same as the aggregate number of options (as approved by the Board of Directors (subject to shareholder approval) in February 2014) which were proposed to be issued to Mr Hegarty and Mr Crookes.

The acquisition by EMR Capital Investment (No 2B) of 25,000,000 Shares and the issue of Shares on exercise of all the EMR Options 1 and EMR Options 2 would cause the EMR group's ultimate holding company, EMR Capital Holdings Pty Ltd (**EMR**),

which currently has a relevant interest in 40,000,000 Shares in the capital of the Company, to increase its voting power in the Company:

(a) by 7.42% from 25.67% to 33.09% in the Company assuming the passing of Resolution 2 and Resolution 3 and the issue of the Tranche 2 Shares and the Tranche 2 E&E Hall Shares;

(b) by 10.98% from 25.67% to 36.65% in the Company assuming that Resolution 2 and Resolution 3 are not passed and the Tranche 2 Shares and the Tranche 2 E&E Hall Shares are not issued;

(c) by 7.58% from 25.67% to 33.25% in the Company assuming that Resolution 2 is passed and Resolution 3 is not passed and the Tranche 2 Shares are issued but the Tranche 2 E&E Hall Shares are not issued; or

(d) by 10.78% from 25.67% to 36.45% in the Company assuming that Resolution 2 is not passed and Resolution 3 is passed and the Tranche 2 Shares are not issued but the Tranche 2 E&E Hall Shares are issued.

This assumes that no other Shares in the Company are issued or options are exercised.

6.2 **Section 606 of the Corporations Act – Statutory Prohibition**

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%,

(**Prohibition**).

6.3 **Voting Power**

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

6.4 **Associates**

For the purposes of determining voting power under the Corporations Act (in relation to this proposed issue), a person (**second person**) is an 'associate' of the other person (**first person**) if, and only if (pursuant to section 12(2) of the Corporations Act):

(a) the first person is a body corporate and the second person is:

(i) a body corporate the first person controls;

(ii) a body corporate that controls the first person; or

(iii) a body corporate that is controlled by an entity that controls the first person;

(b) the second person is a person with whom the first person has entered or proposes to enter into a relevant agreement for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

6.5 **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(a) a body corporate in which the person's voting power is above 20%;

(b) a body corporate that the person controls.

6.6 **Item 7 of Section 611 of the Corporations Act**

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire or increase a relevant interest in a company's voting shares with shareholder approval.

Shareholder approval under item 7 of section 611 of the Corporations Act is required for Resolution 6.

6.7 **Increase in Relevant Interest**

(a) EMR currently has a relevant interest in 40,000,000 Shares in the Company, representing 25.67% voting power in the Company's Shares.

(b) Assuming that Resolution 2, Resolution 3, Resolution 4, Resolution 5, and Resolution 6 are passed and all the Tranche 2 Shares, Tranche 2 E&E Hall Shares and Tranche 2 EMR Shares are issued, and the EMR Options 1 and EMR Options 2 have been fully exercised, EMR will have a relevant interest in 67,000,000 Shares in the Company, increasing its voting power in the Company by 7.42% from 25.67% to 33.09%.

(c) Assuming that Resolution 2 and Resolution 3 are not passed and the Tranche 2 Shares and Tranche 2 E&E Hall Shares are not issued and that Resolution 4, Resolution 5 and Resolution 6 are passed and the Tranche 2 EMR Shares are

issued, and the EMR Options 1 and EMR Options 2 have been fully exercised, EMR will have a relevant interest in 67,000,000 Shares in the Company, increasing its voting power in the Company by 10.98% from 25.67% to 36.65%.

(d) Assuming that Resolution 2 is not passed and the Tranche 2 Shares are not issued and that Resolution 3, Resolution 4, Resolution 5 and Resolution 6 are passed and the Tranche 2 E&E Hall Shares and Tranche 2 EMR Shares are issued, and the EMR Options 1 and EMR Options 2 have been fully exercised, EMR will have a relevant interest in 67,000,000 Shares in the Company, increasing its voting power in the Company by 10.78% from 25.67% to 36.45%.

(e) Assuming that Resolution 3 is not passed and the Tranche 2 E&E Hall Shares are not issued and that Resolution 2, Resolution 4, Resolution 5 and Resolution 6 are passed and the Tranche 2 Shares and Tranche 2 EMR Shares are issued, and the EMR Options 1 and EMR Options 2 have been fully exercised, EMR will have a relevant interest in 67,000,000 Shares in the Company, increasing its voting power in the Company by 7.58% from 25.67% to 33.25%.

This assumes that no other Shares in the Company are issued or options are exercised.

6.8 **Class A and Class B Performance Shares**

(a) The Company has on issue 50,000,000 Class A Performance Shares and 50,000,000 Class B Performance Shares.

(b) They were issued pursuant to resolutions 5 and 6 passed at the Company's Annual General Meeting held on 5 October 2012.

(c) The Class A Performance Shares and Class B Performance Shares are not transferrable.

(d) They are held by persons who are not associates of EMR.

(e) The terms and conditions on which they were issued are set out in Schedules 2 and 3 of the Explanatory Statement which accompanied the Notice of the Company's said Annual General Meeting.

(f) The terms and conditions of issue of the Class A Performance Shares include that each Class A Performance Share will automatically convert into one Share upon delineation of a JORC Code (or equivalent) compliant Indicated Mineral Resource of:

(i) 150 million tonnes of potash at or above 13% K2O by content; or

(ii) 125 million tonnes of potash at or above 14% K2O by content; or

(iii) 100 million tonnes of potash at or above 15% K2O by contents; or

(iv) 75 million tonnes of potash at or above 17% K2O by content; or

(v) 50 million tonnes of potash at or above 20% K2O by content,

on the Navarra Potash Project by no later than 18 October 2017, which is 5 years from the date of issue of the Class A Performance Shares.

(g) The terms and conditions of issue of the Class B Performance Shares include that each Class B Performance Share will automatically convert into one Share upon the receipt, to the reasonable satisfaction of the Company, of all referral approvals and utility contracts required to construct and operate a 500,000 tonne per annum potash mine on the Project (including all required Government approvals, water and energy contracts necessary to operate the mine) by no later than 18 October 2017, which is 5 years from the date of issue of the Class B Performance Shares.

(h) Further to the disclosure in paragraph 5.4(e) of the Explanatory Statement which accompanied the Notice of the Company's Annual General Meeting referred to in section 6.8(b) above:

(i) if the 50,000,000 Class A Performance Shares convert into 50,000,000 Shares, Taylor Collison Limited (ACN 008 172 450) will be issued with 1,500,000 Shares, and

(ii) if the 50,000,000 Class B Performance Shares convert into 50,000,000 Shares, Taylor Collison Limited will be issued with a further 1,500,000 Shares.

6.9 Prescribed Information – Corporations Act and ASIC Regulatory Guide

The following information is required to be provided to shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for the purpose of item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 annexed to this Explanatory Statement.

(a) Identity of the Acquirer and its Associates

The following will be issued in accordance with the terms of the Subscription Agreement and for the reasons set out in Section 1 of this Explanatory Statement:

- the Tranche 2 EMR Shares – to be issued to EMR Capital Investment (No 2B);
- Shares issued on exercise of the EMR 1 Options – to be issued to EMR GP; and
- Shares issued on exercise of the EMR 2 Options – to be issued to EMR GP 1.

The associates of EMR Capital Investment (No 2B) are:

- EMR Capital Holdings Pty Ltd ACN 158 368 846
- EMR Capital Pty Ltd ACN 150 950 066
- EMR Capital Advisors Pty Ltd ACN 158 369 450
- EMR Capital Limited Partner Pty Ltd ACN 160 297 049

- EMR Capital International Pty Ltd ACN 159 343 530
- EMR Capital GP Limited as general partner of EMR Capital Resources Fund, LP
- EMR Capital GP 1 Limited as general partner of EMR Capital Resources Fund 1, LP
- EMR Capital Investment (No.3) Cayman Limited
- EMR Capital Investment (No.2) Pte Ltd

The associates of EMR GP and EMR GP 1 are all of the above, including EMR Capital Investment (No 2B).

(b) **Voting Power**

The increase in voting power of each of EMR Capital Investment (No 2B), EMR GP, EMR GP 1 and each of their associates will be as follows:

(i) assuming that Resolution 2, Resolution 3, Resolution 4, Resolution 5 and Resolution 6 are passed and all the Tranche 2 Shares, Tranche 2 E&E Hall Shares and Tranche 2 EMR Shares are issued, and the EMR Options 1 and EMR Options 2 have been fully exercised, by 7.42% from 25.67% to 33.09%;

(ii) assuming that Resolution 2 and Resolution 3 are not passed and the Tranche 2 Shares and Tranche 2 E&E Hall Shares are not issued and that Resolution 4, Resolution 5 and Resolution 6 is passed and the Tranche 2 EMR Shares are issued, and the EMR Options 1 and EMR Options 2 have been fully exercised, by 10.98% from 25.67% to 36.65%;

(iii) assuming that Resolution 2 is not passed and the Tranche 2 Shares are not issued and that Resolution 3, Resolution 4, Resolution 5 and Resolution 6 are passed and the Tranche 2 E&E Hall Shares and Tranche 2 EMR Shares are issued, and the EMR Options 1 and EMR Options 2 have been fully exercised, by 10.78% from 25.67% to 36.45%; and

(iv) assuming that Resolution 3 is not passed and the Tranche 2 E&E Hall Shares are not issued and that Resolution 2, Resolution 4, Resolution 5 and Resolution 6 are passed and the Tranche 2 Shares and Tranche 2 EMR Shares are issued, and the EMR Options 1 and EMR Options 2 have been fully exercised, by 7.58% from 25.67% to 33.25%.

This assumes that no other Shares in the Company are issued or options are exercised.

(c) **EMR's intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that each of EMR Capital Investment (No 2B), EMR GP and EMR GP 1 (or any of its associates):

(i) has no present intention of making any significant changes to the business of the Company;

(ii) has no present intention to inject further capital into the Company;

(iii) has no present intention of making changes regarding the future employment of the present employees of the Company;

(iv) does not intend to redeploy any fixed assets of the Company;

(v) does not intend to transfer any property between the Company and EMR Capital Investment (No 2B), EMR GP or EMR GP 1 or any of its associates; and

(vi) has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to each of EMR Capital Investment (No 2B), EMR GP and EMR GP 1 and its associates at the date of this Notice of General Meeting.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(d) **Identity, associations and qualifications of Nominee Director**

EMR Capital Investment (No 2B) does not have the right to appoint a nominee Director to the Board of the Company under the Subscription Agreement. However, EMR GP has the right to appoint a nominee Director to the Board under a subscription agreement dated 16 April 2013 (the **Original Subscription Agreement**).

Mr Richard Crookes

EMR has previously appointed Mr Richard Crookes as its nominee non-executive Director to the Board of the Company under the Original Subscription Agreement.

Richard has over 25 years' experience in the resources and investments industry. He is a geologist by training having worked as the Chief Geologist and Mining Manager of Ernest Henry Mining (now Glencore). Prior to Richard joining EMR as an Investment Director he was an Executive Director in Macquarie Bank's Metals Energy Capital Division where he managed all aspects of the Bank's principal investments in mining and metals companies.

Richard has extensive experience in deal origination, evaluation, post-acquisition management, client relationship management, marketing and execution of investment entry and exits for both private and public resources companies in Australia and overseas.

Mr Owen Hegarty

Separate to the EMR GP's appointment rights under the Original Subscription Agreement, the Company also appointed Mr Owen Hegarty as a non-executive Director to the Board in August 2013. Owen is the Chairman of EMR.

Owen has some 40 years' experience in the global mining industry. He spent 25 years with Rio Tinto where he was Managing Director of Rio Tinto Asia and Managing Director of the Group's Australian copper and gold business. He was the founder and CEO of Oxiana Ltd Group which grew from a small exploration company to a multi-billion dollar Asia Pacific focused base and precious metals producer, developer and explorer.

Owen was awarded the AusIMM Institute Medal in 2006 and the G.J. Stokes Memorial Award in 2008 for his achievements and leadership in the mining industry.

Owen is a director of various listed and unlisted resources companies including Hong Kong listed G-Resources Group Ltd, Fortescue Metals Group Ltd (ASX: FMG), Tigers Realm Coal Limited (ASX: TIG) and EMR. He is also a director of the AusIMM, and a member of a number of Government and industry advisory groups.

(e) **Particulars of Proposed Issue**

Particulars relating to the proposed issue of the Tranche 2 EMR Shares are set out in Section 1 of this Explanatory Statement. The Tranche 2 EMR Shares will be issued at an issue price of $0.51 each.

Particulars relating to the issue of the EMR Options 1 and EMR Options 2 (and the Shares to be issued on exercise of such options) are set out in Section 1 of this Explanatory Statement. The EMR Options 1 and EMR Options 2 will be issued for $10 each. The exercise price for the EMR Options 1 and EMR Options 2 will be as set out in Schedule A and the Subscription Agreement.

(f) **Date of Proposed Issue**

The Tranche 2 EMR Shares the subject of Resolution 6 will be issued on a date after the Meeting to be determined in accordance with the Subscription Agreement.

In order for the Additional EMR Shares to be issued, the EMR Options 1 and EMR Options 2 must be exercised within four years after the date of their grant.

(g) **Reason for the Proposed Issue**

The Tranche 2 EMR Shares will be issued under the Subscription Agreement for the reasons set out in Section 1 of this Explanatory Statement.

The EMR Options 1 and EMR Options 2 (and the Additional EMR Shares to be issued on exercise of such options) will be issued under the Subscription Agreement for the reasons set out in Section 1 of this Explanatory Statement.

(h) **Interests and Recommendations of Directors**

Refer to Section 6.15 of this Explanatory Statement for the interests and recommendations of Directors in relation to Resolution 6.

(i) **Capital Structure**

(i) Assuming Resolutions 2 and 3 are passed and the Tranche 2 Shares and Tranche 2 E&E Hall Shares are issued, and no options are exercised (other than the EMR Options 1 and the EMR Options 2), and there is no conversion into Shares of the Class A Performance Shares or the Class B Performance Shares, the effect of the issue of the Tranche 2 EMR Shares and the issue of the additional 2,000,000 Shares upon exercise of the EMR Options 1 and the EMR Options 2 (**Additional EMR Shares**) on the capital structure of the Company is set out below:

Shares

	Number
Shares currently on issue	155,825,003
Issue of Tranche 2 Shares	18,675,000
Issue of Tranche 2 E&E Hall Shares	1,000,000
Issue of Tranche 2 EMR Shares and Additional EMR Shares	27,000,000
Total Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**202,500,003**

Class A Performance Shares

	Number
Unquoted Class A Performance Shares currently on issue	50,000,000
Total Class A Performance Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**50,000,000**

Class B Performance Shares

	Number
Unquoted Class B Performance Shares currently on issue	50,000,000
Total Class B Performance Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**50,000,000**

Options

	Number
Unlisted Options exercisable at $0.20 on or before 1/11/16	6,000,000
Unlisted Options exercisable at $0.20 on or before 19/10/16	4,000,000
Unlisted Options exercisable at $0.30 on or before 31/01/17	3,000,000
Unlisted Options exercisable at $0.40 on or before 31/05/17	7,000,000
Unlisted Options exercisable at $0.60 on or before 30/06/17	500,000
Unlisted Options exercisable at $0.60 on or before 31/01/17	500,000
Unlisted Options exercisable at $0.75 on or before 30/06/18	2,300,000
Total Options on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**23,300,000**

The number of options reflected in the above table does not include any of the options proposed to be issued which are the subject of Resolutions 4, 5, 7, 8 and 9.

(ii) Assuming Resolutions 2 and 3 are not passed and the Tranche 2 Shares and Tranche 2 E&E Hall Shares are not issued, and no options are exercised (other than the EMR Options 1 and the EMR Options 2), and there is no conversion into Shares of the Class A Performance Shares or the Class B Performance Shares, the effect of the issue of the Tranche 2 EMR Shares and the issue of the Additional EMR Shares on the capital structure of the Company is set out below:

Shares

	Number
Shares currently on issue	155,825,003
Issue of Tranche 2 EMR Shares and Additional EMR Shares	27,000,000
Total Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**182,825,003**

Class A Performance Shares

	Number
Unquoted Class A Performance Shares currently on issue	50,000,000
Total Class A Performance Shares on issue following issue of Tranche	**50,000,000**

2 EMR Shares and Additional EMR Shares	

Class B Performance Shares

	Number
Unquoted Class B Performance Shares currently on issue	50,000,000
Total Class B Performance Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**50,000,000**

Options

	Number
Unlisted Options exercisable at $0.20 on or before 1/11/16	6,000,000
Unlisted Options exercisable at $0.20 on or before 19/10/16	4,000,000
Unlisted Options exercisable at $0.30 on or before 31/01/17	3,000,000
Unlisted Options exercisable at $0.40 on or before 31/05/17	7,000,000
Unlisted Options exercisable at $0.60 on or before 30/06/17	500,000
Unlisted Options exercisable at $0.60 on or before 31/01/17	500,000
Unlisted Options exercisable at $0.75 on or before 30/06/18	2,300,000
Total Options on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**23,300,000**

The number of options reflected in the above table does not include any of the options proposed to be issued which are the subject of Resolutions 4, 5, 7, 8 and 9.

(iii) Assuming Resolution 2 is passed and the Tranche 2 Shares are issued but Resolution 3 is not passed and the Tranche 2 E&E Hall Shares are not issued, and there is no conversion into Shares of the Class A Performance Shares or the Class B Performance Shares, and no options are exercised (other than the EMR Options 1 and the EMR Options 2), the effect of the issue of the Tranche 2 EMR Shares and the Additional EMR Shares on the capital structure of the Company is set out below:

Shares

	Number
Shares currently on issue	155,825,003
Issue of Tranche 2 Shares	18,675,000
Issue of Tranche 2 EMR Shares and Additional EMR Shares	27,000,000
Total Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**201,500,003**

Class A Performance Shares

	Number
Unquoted Class A Performance Shares currently on issue	50,000,000
Total Class A Performance Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**50,000,000**

Class B Performance Shares

	Number
Unquoted Class B Performance Shares currently on issue	50,000,000
Total Class B Performance Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**50,000,000**

Options

	Number
Unlisted Options exercisable at $0.20 on or before 1/11/16	6,000,000
Unlisted Options exercisable at $0.20 on or before 19/10/16	4,000,000
Unlisted Options exercisable at $0.30 on or before 31/01/17	3,000,000
Unlisted Options exercisable at $0.40 on or before 31/05/17	7,000,000
Unlisted Options exercisable at $0.60 on or before 30/06/17	500,000
Unlisted Options exercisable at $0.60 on or before 31/01/17	500,000
Unlisted Options exercisable at $0.75 on or before 30/06/18	2,300,000
Total Options on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**23,300,000**

The number of options reflected in the above table does not include any of the options proposed to be issued which are the subject of Resolutions 4, 5, 7, 8 and 9.

(iv) Assuming Resolution 2 is not passed and the Tranche 2 Shares are not issued but Resolution 3 is passed and the Tranche 2 E&E Hall Shares are issued, and there is no conversion into Shares of the Class A Performance Shares or the Class B Performance Shares, and no options are exercised (other than the EMR Options 1 and the EMR Options 2), the effect of the issue of the Tranche 2 EMR Shares and the Additional EMR Shares on the capital structure of the Company is set out below:

Shares

	Number
Shares currently on issue	155,825,003
Issue of Tranche 2 E&E Hall Shares	1,000,000
Issue of Tranche 2 EMR Shares and Additional EMR Shares	27,000,000
Total Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**183,825,003**

Class A Performance Shares

	Number
Unquoted Class A Performance Shares currently on issue	50,000,000
Total Class A Performance Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**50,000,000**

Class B Performance Shares

	Number
Unquoted Class B Performance Shares currently on issue	50,000,000
Total Class B Performance Shares on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**50,000,000**

Options

	Number
Unlisted Options exercisable at $0.20 on or before 1/11/16	6,000,000
Unlisted Options exercisable at $0.20 on or before 19/10/16	4,000,000
Unlisted Options exercisable at $0.30 on or before 31/01/17	3,000,000
Unlisted Options exercisable at $0.40 on or before 31/05/17	7,000,000
Unlisted Options exercisable at $0.60 on or before 30/06/17	500,000
Unlisted Options exercisable at $0.60 on or before 31/01/17	500,000
Unlisted Options exercisable at $0.75 on or before 30/06/18	2,300,000
Total Options on issue following issue of Tranche 2 EMR Shares and Additional EMR Shares	**23,300,000**

The number of options reflected in the above table does not include any of the options proposed to be issued which are the subject of Resolutions 4, 5, 7, 8 and 9.

6.10 **Advantages of the Acquisition – Resolution 6**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a shareholder's decision on how to vote on Resolution 6:

(a) EMR is a strong institutional shareholder partner who will continue to add value to the Company's strategic goals;

(b) the issue of the Tranche 2 EMR Shares would provide the Company with additional funds of $12,750,000; the Tranche 2 EMR Shares will be issued at an issue price of $0.51 each whereas the Tranche 1 Shares have been and the Tranche 2 Shares and Tranche 2 E&E Hall Shares will be, issued at an issue price of $0.48 each;

(c) with these additional funds the Company's cash position will increase to:

(i) approximately $9.5 million if Resolution 2 and Resolution 3 are not passed;

(ii) approximately $18.94 million if Resolution 2 and Resolution 3 are passed;

(iii) approximately $18.5 million if Resolution 2 is passed but Resolution 3 is not passed; or

(iv) approximately $10 million if Resolution 2 is not passed but Resolution 3 is passed;

(d) these funds raised will enable the Company to fast track development activities at the Company's three 100% owned Spanish potash projects;

(e) although the Independent Expert, BDO Corporate Finance (WA) Pty Ltd, has concluded that the issue of the Tranche 2 EMR Shares is not fair to the non-associated shareholders, the Independent Expert has concluded that the issue is reasonable to the non-associated shareholders for the reasons stated in the Independent Expert's Report;

(f) the exercise of all of the EMR Options 1 by EMR GP would provide the Company with additional funds of $307,500 (assuming the exercise price is $0.75 per option); and

(g) the exercise of all of the EMR Options 2 by EMR GP 1 would provide the Company with additional funds of $1,192,500 (assuming the exercise price is $0.75 per option).

6.11 **Disadvantages of the Acquisition – Resolution 6**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a shareholder's decision on how to vote on Resolution 6:

(a) although the Independent Expert has concluded that the issue of the Tranche 2 EMR Shares is reasonable to the non-associated shareholders, the Independent Expert has concluded that the issue is not fair to the non-associated shareholders for the reasons stated in the Independent Expert's Report;

(b) (i) the increase in EMR's voting power in the Company referred to in section 5.7(b) of this Explanatory Statement would result in the aggregate voting power of non-associated shareholders reducing from 74.33% to 66.91%;

(ii) the increase in EMR's voting power in the Company referred to in section 5.7(c) of this Explanatory Statement would result in the aggregate voting power of non-associated shareholders reducing from 74.33% to 63.35%;

(iii) the increase in EMR's voting power in the Company referred to in section 5.7(d) of this Explanatory Statement would result in the aggregate voting power of non-associated shareholders reducing from 74.33% to 63.55%;

(iv) the increase in EMR's voting power in the Company referred to in section 5.7(e) of this Explanatory Statement would result in the aggregate voting power of non-associated shareholders reducing from 74.33% to 66.75%;

The above assumes that no other Shares in the Company are issued or options are exercised.

(c) there is no guarantee that the Company's shares will not fall in value as a result of the issue of the Tranche 2 EMR Shares and the EMR Options 1 and EMR Options 2 or the issue of Shares following the exercise of such options.

6.12 **Independent Expert's Report – Resolution 6**

The Independent Expert's Report by BDO Corporate Finance (WA) Pty Ltd assesses whether the issue of the Tranche 2 EMR Shares and the issue of the Additional EMR Shares on exercise of the EMR Options 1 and the EMR Options 2 outlined in Resolution 6 is fair and reasonable to the shareholders who are not associated with EMR Capital Investment (No 2B), EMR GP and EMR GP 1.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed issue of the Tranche 2 EMR Shares and the issue of the Additional EMR Shares on exercise of the EMR Options 1 and the EMR Options 2 the subject of Resolution 6. This assessment is designed to assist all shareholders in reaching their voting decision.

The Independent Expert has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 6, on balance, **IS NOT FAIR BUT REASONABLE** to the shareholders of the Company not associated with EMR Capital Investment (No 2B), EMR GP and EMR GP 1. It is recommended that all shareholders read the Independent Expert's Report in full.

The Independent Expert's Report is annexed to this Notice of Meeting.

6.13 **ASX Listing Rule 7.1 Exception 16**

A summary of ASX Listing Rule 7.1 is set out in Section 2 of this Explanatory Statement.

However, ASX Listing Rule 7.2 Exception 16 provides that ASX Listing Rule 7.1 does not apply to an issue of securities approved for the purposes of item 7 of section 611 of the Corporations Act.

Therefore the effect of Resolution 6 will be to allow the Directors to issue the Tranche 2 EMR Shares pursuant to the Subscription Agreement without using the Company's 15% annual placement capacity.

Further, ASX Listing Rule 7.2 Exception 4 provides that ASX Listing Rule 7.1 does not apply to an issue of securities on conversion of convertible securities where the company complied with the ASX Listing Rules when it issued those convertible securities. As stated in section 5, the Company is seeking approval to issue the EMR

Options 1 and EMR Options 2 for the purposes of ASX Listing Rule 7.1 under Resolutions 4 and 5. As a consequence of this exception the effect of Resolutions 4 and 5 will be to allow the Directors to issue Additional EMR Shares without using the Company's 15% placement capacity.

6.14 **Consents**

(a) The Independent Expert has given, and has not before the issue of this Explanatory Statement withdrawn, its consent to be named in this Explanatory Statement as an independent expert in relation to the proposed issue of the Tranche 2 EMR Shares and the issue of the Additional Shares on exercise of the EMR Options 1 and EMR Options 2. The Independent Expert has not authorised or caused the issue of this Explanatory Statement and does not take any responsibility for any part of this Explanatory Statement other than the Independent Expert's Report attached as the Annexure to this Explanatory Statement and the references to it in this Explanatory Statement.

(b) Sections 1.1 and 6.1 (in each case so far as they relate to EMR GP, EMR GP 1, the EMR Options 1 and EMR Options 2), 6.7 and 6.9(a), (b), (c) and (d) of this Explanatory Statement have been prepared by EMR Capital Investment (No 2B), EMR GP and EMR GP 1. EMR Capital Investment (No 2B), EMR GP and EMR GP 1 are solely responsible for the contents of those Sections and have consented, and have not before the issue of this Explanatory Statement withdrawn, their consent to being named in this Explanatory Statement as preparing or being solely responsible for those Sections. EMR Capital Investment (No 2B), EMR GP and EMR GP 1 do not take any responsibility for any other Section of this Explanatory Statement.

6.15 **Directors' Recommendations – Resolution 6**

(a) The Directors (other than Mr Crookes who is EMR's nominee, and Mr Hegarty who is chairman of the board of directors of EMR) unanimously recommend that non-associated shareholders vote in favour of Resolution 6 for the reasons set out in Section 6.10 of this Explanatory Statement.

(b) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

Resolution 6 is an ordinary resolution.

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

7. **Resolutions 7 to 9: Issue of options to directors**

7.1 **General**

The Company has agreed, subject to obtaining shareholder approval, to issue its Directors referred to below a total of 8,000,000 options (**Related Party Options**) as an incentive based remuneration package. Resolutions 7 to 9 seek shareholder approval for the grant of the Related Party Options to the following Directors (or their nominees):

(a) Derek Carter (Chairman): 1,500,000 options;

(b) Anthony Hall (Managing Director): 4,000,000 options; and

(c) Pedro Rodriguez (Executive Director): 2,500,000 options.

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

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

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

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

The grant of Related Party Options constitutes giving a financial benefit and Messrs Carter, Hall and Rodriguez are related parties of the Company by virtue of being Directors.

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

7.3 **ASX Listing Rule 10.11**

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

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

7.4 **Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 7 to 9:

(a) The Related Party Options will be granted to Messrs Carter, Hall and Rodriguez (or their nominees).

(b) The number of Related Party Options to be issued is as follows:

(i) Derek Carter (Chairman): 1,500,000 options;

(ii) Anthony Hall (Managing Director): 4,000,000 options; and

(iii) Pedro Rodriguez (Executive Director): 2,500,000 options.

(c) The Related Party Options will be granted no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue will occur on the same date.

(d) The Related Party Options will be issued for nil cash consideration, accordingly no funds will be raised.

(e) The terms and conditions of the Related Party Options are as follows:

Director	No of Options	Terms and Conditions
Derek Carter	1,500,000	See Schedule A
Anthony Hall	2,000,000	See Schedule A
	2,000,000	See Schedule B
Pedro Rodriguez	1,000,000	See Schedule A
	1,500,000	See Schedule B

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Options to Messrs Carter, Hall and Rodriguez (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

Each of Resolutions 7 to 9 is an ordinary resolution.

As the Directors have an interest in Resolutions 4, 5, 7, 8 and 9, they do not wish to make a recommendation as to how shareholders ought to vote on these Resolutions 7 to 9.

The chair intends to vote undirected proxies in favour of each of Resolutions 7 to 9.

8. Resolution 10: Issue of options to John Claverley

8.1 General

In addition to the options to be issued pursuant to Resolutions 4, 5, 7, 8, 9 and 11, the Company also proposes to issue Mr John Claverley (or his nominee), General Manager, with 2,500,000 options as an incentive based remuneration package.

A summary of ASX Listing Rule 7.1 is set out in Section 2 of this Explanatory Statement.

The effect of Resolution 10 will be to allow the Company to issue the options to Mr Claverley (or his nominee) during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.2 **Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of options:

(a) The maximum number of options to be issued is 2,500,000.

(b) The options will be issued to Mr Claverley (or his nominee), who is not a related party of the Company.

(c) The options will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue will occur on the same date.

(d) The options will be issued for nil cash consideration, accordingly no funds will be raised.

(e) The terms and conditions of the options are as follows:

Name	No of Options	Terms and Conditions
John Claverley	1,000,000	See Schedule A
	1,500,000	See Schedule B

Resolution 10 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 108.

The chair intends to vote undirected proxies in favour of Resolution 10.

9. **Resolution 11: Issue of options to Donald Stephens**

9.1 **General**

In addition to the options to be issued pursuant to Resolutions 4, 5 and 7 to 10, the Company also proposes to issue Mr Donald Stephens (or his nominee), Company Secretary, with 500,000 options as an incentive based remuneration package.

A summary of ASX Listing Rule 7.1 is set out in Section 2 of this Explanatory Statement.

The effect of Resolution 9 will be to allow the Company to issue the options to Mr Stephens (or his nominee) during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

9.2 **Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of options:

(a) The maximum number of options to be issued is 500,000.

(b) The options will be issued to Mr Stephens (or his nominee), who is not a related party of the Company.

(c) The options will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue will occur on the same date.

(d) The options will be issued for nil cash consideration, accordingly no funds will be raised.

(e) The terms and conditions of the options are set out in Schedule A.

Resolution 11 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 11.

The chair intends to vote undirected proxies in favour of Resolution 11.

10. Glossary

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

$ means Australian dollars.

Additional EMR Shares means the Shares which would be issued on exercise of the EMR Options 1 and EMR Options 2.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependant of the member or of the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;

(e) a company the member controls; or

(f) a person prescribed as such by the *Corporations Regulations 2001* (Cth).

Company means Highfield Resources Limited ACN 153 918 257.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

EMR means EMR Capital Holdings Pty Ltd ACN 158 368 846.

EMR Capital Investment (No 2B) means EMR Capital Investment (No 2B) Pte Ltd.

EMR GP means EMR Capital GP Limited.

EMR GP 1 means EMR Capital GP 1 Limited.

EMR Options 1 means the 410,000 EMR Options 1 referred to in Section 1.1 of this Explanatory Statement.

EMR Options 2 means he 1,590,000 EMR Options 2 referred to in Section 1.1 of this Explanatory Statement.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

General Meeting or **Meeting** means the meeting convened by the Notice of Meeting.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the report by the Independent Expert annexed to this Notice of Meeting as the Annexure.

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

Notice, **Notice of Meeting** or **Notice of General Meeting** means this notice of General Meeting including the Explanatory Statement.

Resolutions means the resolutions set out in the Notice of Meeting and **Resolution** means any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Subscription Agreement means the Subscription Agreement made on 29 July 2014 between EMR Capital Investment (No 2B), the Company, EMR GP and EMR GP 1.

Tranche 1 Shares means the 20,235,000 Shares referred to as the Tranche 1 Shares in Section 1.1 of this Explanatory Statement.

Tranche 2 E&E Hall Shares means the 1,000,000 Shares referred to as the Tranche 2 E&E Hall Shares in Section 1.1 of this Explanatory Statement.

Tranche 2 EMR Shares means the 25,000,000 Shares referred to as the Tranche 2 EMR Shares in Section 1.1 of this Explanatory Statement.

Tranche 2 Shares means the 18,675,000 Shares referred to as the Tranche 2 Shares in Section 1.1 of this Explanatory Statement.

SCHEDULE A

TERMS AND CONDITIONS OF OPTIONS

1. Each option entitles the holder to one ordinary share in the Company.

2. The options held by the optionholder are exercisable in whole or in part at any time during the period commencing on the date of grant and expiring four years afterwards (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.

3. The optionholder must notify the Company at least five business days before exercising any options. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of $0.75 per option in cleared funds.

4. The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.

5. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:

   (a) elect to be registered as the new holder of the options;

   (b) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and

   (c) if the deceased has already exercised options, pay the exercise price in respect of those options.

6. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.

7. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

8. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

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

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

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

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

9. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

SCHEDULE B

TERMS AND CONDITIONS OF OPTIONS WITH JAVIER MINE APPROVAL VESTING CONDITION

1. Each option entitles the holder to one ordinary share in the Company.

2. Subject to paragraph 3, the options held by the optionholder are exercisable in whole or in part at any time during the period commencing on the date of grant and expiring four years afterwards (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.

3. The options will vest if the approval of a Mining Concession Licence (Concesion De Exploitacion) for the proposed Javier Potash Mine is granted by the provinces of Aragon and Navarra on or before 30 June 2015, provided the optionholder remains in its capacity as an officer or employee of the Company as at the date this vesting condition is satisfied. [

   The Board may in its absolute discretion waive satisfaction of the vesting condition either unconditionally or subject to compliance with any other exercise restriction that is less onerous than that previously fixed.

4. The optionholder must notify the Company at least five business days before exercising any options. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of $0.75 per option in cleared funds.

5. The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.

6. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:

   (a) elect to be registered as the new holder of the options;

   (b) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and

   (c) if the deceased has already exercised options, pay the exercise price in respect of those options.

7. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.

8. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

9. If the Company makes a rights issue (other than a bonus issue), the exercise price of options

on issue will be reduced according to the following formula:

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

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

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

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

10. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

ANNEXURE

HIGHFIELD RESOURCES LIMITED

Appointment of proxy

If you propose to attend and vote at the General Meeting, please bring this form with you. This will assist in registering your attendance.

All Registry communication to:
Advanced Share Registry Ltd
110 Stirling Highway
Nedlands WA 6009
PO Box 1156
Nedlands WA 6909
Telephone: (08) 9389 8033
Facsimile: (08) 9262 3723
Website: www.advancedshare.com.au
www.highfieldresources.com.au

You can now vote online at www.advancedshare.com.au/investors.aspx

I/We being a member(s) of HIGHFIELD RESOURCES LIMITED ACN 153 918 257 and entitled to attend and vote hereby appoint.

A the Chairman of the Meeting **(mark box)** ☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

Or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the General Meeting of the Company to be held at 11:00am, 12 September 2014 and at any adjournment of that meeting. Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received at the Company's registered office no later than 48 hours before the meeting.

Important for Resolution 7 – If the Chairman of the Meeting is your proxy or is appointed as your proxy by default
By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolution 7 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Resolution 7, the Chairman of the Meeting will not cast your votes on Resolution 7 and your votes will not be counted in computing the required majority if a poll is called on this resolution. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Resolution 7).

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 7 of business.

☐ I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolution 7 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though resolution 7 is connected directly or indirectly with the remuneration of a member of key management personnel.

If you appoint the Chairman of the Meeting as your proxy you acknowledge that in acting as your proxy the Chairman may exercise your undirected proxy votes (if you do not specify below how your proxy is to vote) even if he or she has an interest in the outcome of the resolution which carries a voting exclusion providing that votes cast by him or her other than as a proxyholder will be disregarded because of that interest. The Chairman intends to vote undirected proxies IN FAVOUR of each resolution.

Should you desire to direct your proxy how to vote on any resolution please insert ☒ in the appropriate box below.

		For	Against	Abstain*
Resolution 1	Subsequent Approval of the Issue of 20,325,000 Shares	☐	☐	☐
Resolution 2	Issue of 18,675,000 Shares	☐	☐	☐
Resolution 3	Issue of 1,000,000 Shares	☐	☐	☐
Resolution 4	Issue of 1,000,000 Options	☐	☐	☐
Resolution 5	Issue of 1,000,000 Options	☐	☐	☐
Resolution 6	Issue of Shares Pursuant to Item 7 Section 611 of Corporations Act	☐	☐	☐
Resolution 7	Issue of Options to Derek Carter	☐	☐	☐
Resolution 8	Issue of Options to Anthony Hall	☐	☐	☐
Resolution 9	Issue of Options to Pedro Rodriguez	☐	☐	☐
Resolution 10	Issue of Options to John Claverley	☐	☐	☐
Resolution 11	Issue of Options to Donald Stephens	☐	☐	☐

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

B **PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented**

Securityholder 1 (individual)	**Joint Securityholder 2 (individual)**	**Joint Securityholder 3 (individual)**
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

Contact Name	Contact Daytime Telephone or Email	/ / Date

Proxy Instructions

Generally

A shareholder entitled to attend and vote at the General Meeting convened by the Notice is entitled to appoint not more than 2 proxies to vote on the shareholder's behalf. A proxy need not be a shareholder. The proxy appointment may be a standing appointment for all general meetings until it is revoked. Additional proxy forms are available from the Company.

If a representative of a shareholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission. A form of the certificate may be obtained from the Company's share registry by calling +61 8 9389 8033.

Appointing Two Proxies

A shareholder entitled to cast 2 or more votes may appoint 2 proxies. Where 2 proxies are appointed, if the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise one half of your votes. Fractions of votes will be disregarded.

Signing Instructions

Individuals:	The shareholder must sign personally.
Joint Holding:	If the holding is in more than 1 name, all of the shareholders must sign.
Company:	Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held.
Power of Attorney:	The attorney must sign and the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.

Lodgement of a Proxy

Proxy forms (and the power of attorney, if any, under which the proxy form is signed) must be lodged at, or sent by facsimile transmission to, the offices of the Company so that it is received no later than 11:00am, 10 September 2014.

Documents may be lodged:

IN PERSON	Share Registry – Advanced Share Registry, 110 Stirling Highway Nedlands WA 6009, Australia Registered Office
BY MAIL	Share Registry – Advanced Share Registry, PO Box 1156, Nedlands WA 6909, Australia
BY FAX	+61 8 9262 3723

Your Address

This is your address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form and sign it. Security holders sponsored by a broker (in which case your reference number overleaf will commence with an "X") should advise your broker of any changes. You cannot change ownership of your shares using this form.

HIGHFIELD RESOURCES LIMITED
Independent Expert's Report

Not fair but reasonable

29 July 2014

BDO

Financial Services Guide

29 July 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (**'we'** or **'us'** or **'ours'** as appropriate) has been engaged by Highfield Resources Limited (**'Highfield'** or 'the **Company**') to provide an independent expert's report on the placement of up to 25,000,000 Shares to EMR Capital Investment (No 2B) Pte Ltd, the issue of up to 410,000 Shares to EMR Capital GP Limited in consequence of the exercise of EMR Options 1 and the issue of up to 1,590,000 Shares to EMR Capital GP1 Limited in consequence of the exercise of EMR Options 2. You will be provided with a copy of our report as a retail client because you are a shareholder of Highfield.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (**'FSG'**). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $25,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Highfield for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('**FOS**'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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PO Box 700 West Perth WA 6872
Australia

29 July 2014

Highfield Resources Limited
The Directors
169 Fullarton Road
DULWICH, SA 5065

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 13 June 2014, Highfield Resources Limited (**'Highfield'** or **'the Company'**) announced an institutional equity placement (**'Placement'**) whereby Highfield may issue up to 25 million fully paid ordinary shares to EMR Capital Investment (No 2B) Pte Ltd (**EMR Capital Investment (No2B**) at $0.51 per share, to raise $12.75 million. The Company may also issue 410,000 options (**EMR Options 1**) to EMR Capital GP Limited (**EMR GP**) and 1,590,000 options (**EMR Options 2**) to EMR Capital GP1 Limited (**EMR GP1**), the options each having an exercise price of $0.75. For the purposes of Section 611 Item 7 of the Corporations Act (Cth) (the '**Act**') we will consider the 2 million fully paid ordinary shares (**Additional EMR Shares**) which may issue as a result of exercise of these options, as part of the Placement unless otherwise stated to the contrary. EMR Capital Investment (No2B), EMR GP and EMR GP1 are associated entities (refer to Section 6 of this report for further details).

Completion of the Placement requires shareholders' approval pursuant to Section 611 Item 7 of the Act as the issue of shares by way of the Placement will result in EMR's voting power in the Company increasing from a starting point of its current 25.67%.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Highfield have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether or not the Placement is fair and reasonable to the non associated shareholders of Highfield (**'Shareholders'**).

Our Report is prepared pursuant to section 611 Item 7 of the Corporations Act and is to be included in the Explanatory Memorandum for Highfield in order to assist the Shareholders in their decision whether to approve the Placement.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Placement as outlined in the body of this report. We have considered:

- How the value of a Highfield share prior to the Placement on a controlling interest basis compares to the value of a Highfield share following the Placement on a minority basis;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Placement; and
- The position of Shareholders should the Placement not proceed.

2.3 Opinion

We have considered the terms of the Placement as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Placement is not fair but reasonable to Shareholders.

In our opinion, the Placement is not fair because the value of a Highfield share prior to the Placement is higher than the value of a Highfield share following the Placement.

However, we consider the Placement to be reasonable because the advantages of the Placement to Shareholders are greater than the disadvantages. In particular, the Placement is at a premium to funds raised from institutional investors.

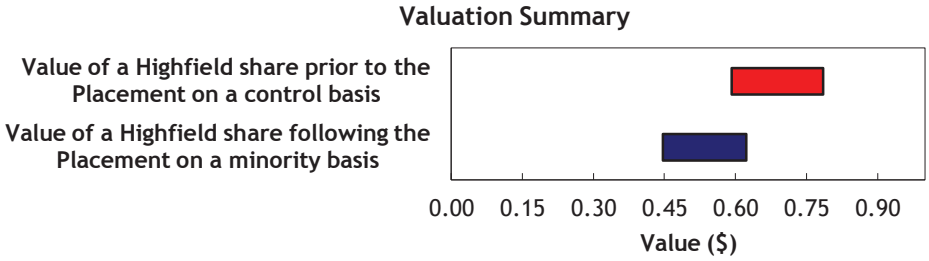
2.4 Fairness

In section 12 we determined that the Placement consideration compares to the value of Highfield as detailed below.

	Ref	Low $	Preferred $	High $
Value of a Highfield share prior to the Placement on a control basis	10.1	**0.5915**	**0.6881**	**0.7847**
Value of a Highfield share following the Placement on a minority basis	11	**0.4463**	**0.5308**	**0.6223**

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO Analysis

The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Placement is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Placement; and
- other considerations, including the position of Shareholders if the Placement does not proceed and the consequences of not approving the Placement.

In our opinion, the position of Shareholders if the Placement is approved is more advantageous than the position if the Placement is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Placement is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
13.4	Strengthening the Company's balance sheet	13.5	Dilution of existing shareholding
13.4	Allows continued development of the three projects	13.5	Potential lower liquidity of shares
13.4	The Placement is at a premium to funds raised from institutional investors		

Other key matters we have considered include:

Section	Description
13.1	Alternative proposal
13.2	Practical level of control
13.3	Consequences of not approving the Placement

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act Regulations (**'the Act'**) expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) increasing his voting power in a public company from a starting point that is above 20%, unless the acquisition takes place under one of the exceptions set out in Section 611 of the Corporations Act.

The EMR group's ultimate holding company, EMR Capital Holdings Pty Ltd (**EMR**), currently has voting power in the Company of approximately 25.67% - represented by approximately 25.67% of the Company's issued Share capital on an undiluted basis. Assuming no other Shares are issued by Highfield or options exercised, the Placement will increase EMR's voting power up to approximately 35.95% on an undiluted basis (depending on the passage of other resolutions) in Highfield. If all dilutionary Shares are issued, EMR would have a relevant interest in the Company's issued Share capital of approximately 19.9%.

Section 611 Item 7 permits such an acquisition which would otherwise infringe Section 606, if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 Item 7 states that shareholders of the Company must be given all information that is material to the decision on how to vote at the meeting.

ASIC Regulatory Guide 74 (**"RG 74"**) states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Highfield, by either:

- undertaking a detailed examination of the Placement themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Highfield have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the ASX Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Placement is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Placement is a control transaction as defined by RG 111 and we have therefore assessed the Placement as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Highfield share prior to the Placement on a controlling basis and the value of a Highfield share following the Placement on a minority basis (fairness – see Section 12 'Is the Placement Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 'Is the Placement Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Placement

Pursuant to the Subscription Agreement, EMR Capital Investment (No2B) has agreed to subscribe for 25 million Shares at an issue price of $0.51 each. As announced on 13 June 2014 the issue of such Shares forms part of a $32 million capital raising by the Company. The Shares already subscribed for and to be subscribed for by other institutional investors have an issue price of $0.48 per share. Our report is not required to provide an opinion on the shares issued to parties other than the EMR group and as such they have been excluded from our analysis. We note that the resolutions to approve the various placements are independent of each other. The Company has also agreed that it will issue the 410,000 EMR Options 1 to EMR GP and the 1,590,000 EMR Options 2 to EMR GP1. The exercise of each such Option will result in the issue of one Share to the optionholder which will further increase the voting power of EMR because EMR GP and EMR GP1 are also associates of EMR. Our report considers these additional Shares as part of the Placement unless otherwise stated to the contrary.

Funds from the capital raising, including the Placement will be used to fast track the development of the Company's three 100% owned Spanish Potash projects.

5. Profile of Highfield

5.1 History

Highfield was incorporated on 25 October 2011 and listed on the ASX on 7 February 2012. The Company is focussed on the development of its three wholly owned potash projects in Spain. The Company's current directors and senior management comprise of:

- Mr Derek Carter, Non executive Chairman;
- Mr Anthony Hall, Managing Director;
- Mr Pedro Rodriguez, Executive Director;
- Mr Richard Crookes, Non executive Director;
- Mr Owen Hegarty, Non executive Director;
- Mr Donald Stephens, Company Secretary
- Mr John Claverley, General Manager;
- Mr Gonzalo Mayoral, Manager Mine Engineering; and
- Mr Aaron Bertolatti, Chief Financial Officer;

On 17 April 2013, the Company announced a capital raising, which saw a total of $10 million raised through an equity placement of 40 million shares through two tranches to EMR Capital GP Limited. Highfield allotted approximately 23.8 million shares at an average price of $0.216 raising $5.13 million through tranche 1 and approximately 16.2 million shares at $0.30 raising approximately $4.87 million through tranche 2.

In addition, at the date of this report, Tranche 1 of the Placement announced on 13 June 2014 has been completed and funds received, as detailed in section 4 of this report.

5.2 Projects

Set out below is a brief description of Highfield's projects:

Sierra del Perdon Project

The Sierra del Perdon Project is located in the Ebro Basin, Northern Spain and covers an area of approximately 100 km^2. The project contains two former operating mines that produced over 10 million tonnes of potash between 1963 and 1997. However these mines were closed in 1997 due to uneconomic potash prices.

Initial drilling conducted by Highfield indicated thick potash mineralisation with strong intersects. The Company's most recent drilling campaign comprised of six drill holes that will form the basis of the JORC compliant Measured and Indicated Mineral Resource estimate.

Javier-Vipasca Project

The Javier-Vipasca project is located within the Ebro Basin and is approximately 40 kms from the Sierra del Perdon project. The project covers an area of 97 km^2 with depths to the top of the potash mineralisation starting at less than 300m beneath surface.

On 16 May 2014, the Company upgraded it JORC compliant Measured, Indicated and Inferred Resource estimate to 268 million tonnes at 11.2% potassium oxide (K_2O). Following the upgrade resource estimate, Highfield released the Preliminary Feasibility Study at its Javier-Vipasca project on 20 May 2014. The study outlined an initial mine life of 20 years commencing in 2016 with an average production target of 0.9 million tonnes of potash per annum. The Company has recently commenced work on the Definitive Feasibility Study.

Pintano Project

The Pintano project is adjacent to the Javier-Vipasca project and covers an area of approximately 125 km^2 with depths from surface to the top of the mineralisation starting from less than 500m beneath surface.

The initial drilling campaign at the project will comprise of 8 drill holes with the aim to test and build on historical data obtained from drilling conducted in the late 1980's.

On 20 November 2013, the Company reported a Maiden JORC Inferred Mineral Resource estimate of 187 million tonnes of sylvinite at 11.2% potassium oxide (K_2O) at its Pintano project.

5.3 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-13 $	Audited as at 30-Jun-13 $	Audited as at 30-Jun-12 $
CURRENT ASSETS			
Cash and cash equivalents	7,456,633	6,188,720	3,557,760
Other receivables	777,469	177,864	77,159
TOTAL CURRENT ASSETS	8,234,102	6,366,584	3,634,919
NON-CURRENT ASSETS			
Deferred exploration & evaluation expenditure	26,050,942	24,231,973	190,797
Property, plant and equipment	50,863	24,435	-
Other receivables	32,926	30,230	-
TOTAL NON-CURRENT ASSETS	26,134,731	24,286,638	190,797
TOTAL ASSETS	34,368,833	30,653,222	3,825,716
CURRENT LIABILITIES			
Trade and other payables	1,336,859	257,358	107,766
TOTAL CURRENT LIABILITIES	1,336,859	257,358	107,766
TOTAL LIABILITIES	1,336,859	257,358	107,766
NET ASSETS	33,031,974	30,395,864	3,717,950
EQUITY			
Issued capital	25,834,020	20,972,569	4,028,009
Reserves	13,941,485	13,300,797	78,635
Accumulated losses	(6,743,531)	(3,877,502)	(388,694)
EQUITY	33,031,974	30,395,864	3,717,950

Source: Highfield's reviewed financial statement for the half-year ended 31 December 2013 and audited financial statements for the years ended 30 June 2013 and 30 June 2012.

We note that Highfield's auditor issued an unmodified opinion in the review report in the financial statements for the year ended 30 June 2013.

- Cash and cash equivalents between 30 June 2012 and 30 June 2013 increased by $2.63 million from $3.56 million to $6.19 million. The increase is primarily attributable to the Company raising $5.13 million through an equity placement with EMR.
- As at 31 December 2013, cash and cash equivalents had increased to $7.46 million, predominantly due to the proceeds of approximately $ 4.87 million from the issue of tranche 2 funds at $0.30 per share.
- Deferred exploration and evaluation expenditure increased from $0.19 million as at 30 June 2012 to $24.23 million as at 30 June 2013. The increase was due to the Company acquiring three Spanish based potash projects, Sierra del Perdon, Javier and Pintano. The Company issued the following shares as consideration for the acquisition:

- 50 million ordinary shares; and
- 100 million performance shares to be converted to ordinary shares upon the successful completion of two project related milestones.

- Share capital has increased from $4.03 million at 30 June 2012 to $20.97 million at 30 June 2013 as a result of shares issued to EMR via a private placement and the issue of shares as part consideration for the acquisition of the Spanish based projects. The placement to EMR involved the issue of 23.76 million Tranche 1 shares at $0.20 per share and 16.24 million Tranche 2 shares at $0.30 per share.

5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-13	Audited for the year ended 30-Jun-13	Audited for the year ended 30-Jun-12
	$	$	$
Revenue			
Interest Received	109,343	125,782	101,685
Other Income	-	25,470	-
Expenses			
Listing and share registry expenses	(34,548)	(44,636)	(3,447)
Professional and consultant's fees	(747,155)	(811,119)	(228,908)
Service administration fees	(60,000)	(120,000)	(80,000)
Employee costs	(518,256)	(194,558)	-
Other expenses	(78,678)	(124,879)	(35,881)
Share based payments expense	(467,692)	(2,000,692)	(78,635)
Travel and accommodation expenses	(458,996)	(332,835)	(63,508)
Occupancy expense	(57,125)	(6,320)	-
Depreciation	(9,701)	(6,167)	-
Impairment of exploration expenditure	(685,682)	-	-
Gain on foreign exchange	142,461	1,146	-
Loss from continuing operations before income tax	(2,866,029)	(3,488,808)	(388,694)
Income tax expense	-	-	-
Loss from continuing operations after income tax	**(2,866,029)**	**(3,488,808)**	**(388,694)**
Foreign currency translation differences	172,996	66,470	-
Total comprehensive loss for the year	**(2,693,033)**	**(3,422,338)**	**(388,694)**

Source: Highfield's reviewed financial statement for the half-year ended 31 December 2013 and audited financial statements for the years ended 30 June 2013 and 30 June 2012.

- Share based payments increased from $0.08 million for the period ended 30 June 2012 to $2 million for the year ended 30 June 2013. The increase was predominantly due to the Company establishing an employee share option plan. During the 12 months to 30 June 2013, the Company granted 3 million options exercisable at $0.30 per option and 7 million exercisable at $0.40 per option.

- Professional and consultant fees increased from $0.02 million for the period ended 30 June 2012 to $0.81 million for the year ended 30 June 2013 as the Company experienced growth and operated for a full year.
- Impairment of exploration expenditure of $0.69 million for the six months ended 31 December 2013 relates to the Company exiting its farm in agreement with Broadway Resources Pty Ltd. As part of the farm in agreement, Highfield was to receive an initial 10% interest and a right to earn up to an additional 70% of the McLarty Project located in the Canning Basin, Western Australia.

5.5 Capital Structure

The share structure of Highfield as at 11 July 2014 is outlined below:

	Number
Total ordinary shares on issue	155,825,003
Top 20 shareholders	102,710,292
Top 20 shareholders - % of shares on issue	65.91%

Source: Highfield Management

The range of shares held in Highfield as at 11 July 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	10	4,655	0.003%
1,001 - 5,000	77	259,183	0.166%
5,001 - 10,000	119	1,050,906	0.674%
10,001 - 100,000	394	16,267,014	10.439%
100,001 - and over	133	138,243,245	88.717%
TOTAL	**733**	**155,825,003**	**100.00%**

Source: Highfield Management

The ordinary shares held by the most significant shareholders as at 11 July 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
JP Morgan Nominees Australia Limited	40,687,092	26.11%
HSBC Custody Nominees	9,132,903	5.86%
Raul Hidalgo Fernandez	5,510,752	3.54%
Jose Manuel Prada Fernandez	5,510,752	3.54%
Pedro Antonio Rodriguez Fernandez	5,510,752	3.54%
Derek Carter and Carlsa Carter	5,510,752	3.54%
Subtotal	71,863,003	46.12%
Others	83,962,000	53.88%
Total ordinary shares on Issue	**155,825,003**	**100.00%**

Source: Highfield Management

The Company has the following options on issue as outlined below:

Name	Number of Options
Unlisted Options exercisable at $0.20 on or before 1/11/16	6,000,000
Unlisted Options exercisable at $0.20 on or before 19/10/16	4,000,000
Unlisted Options exercisable at $0.30 on or before 31/01/17	3,000,000
Unlisted Options exercisable at $0.40 on or before 31/05/17	7,000,000
Unlisted Options exercisable at $0.60 on or before 30/06/17	500,000
Unlisted Options exercisable at $0.60 on or before 31/01/17	500,000
Unlisted Option exercisable at $0.75 on or before 30/06/18	2,300,000
Total Options on issue following issue of Tranche 2 EMR Shares	**23,300,000**

Source: Highfield Management

The Company has on issue 50,000,000 Class A Performance Shares and 50,000,000 Class B Performance Shares. The conversion milestones for each of these classes (ie the right of the holder to convert each of these shares into one fully paid ordinary share in the Company) are set out in the Notice of Meeting.

6. Profile of EMR group

EMR is a specialist resources private equity manager. EMR manages a closed ended, unlisted private equity fund which invests in resource companies and projects. The fund typically seeks to invest in

- Commodities where the macroeconomic outlook is strong;
- Companies with a high grade project with good potential resource upside;
- Companies with cost structures in the lower half of the cost curve; and
- A strong management team.

The following will be issued in accordance with the terms of the Subscription Agreement:

- the Tranche 2 EMR Shares – to be issued to EMR Capital Investment (No2B);
- the EMR 1 Options and Shares issued on exercise of the EMR 1 Options – to be issued to EMR GP; and
- the EMR 2 Options and Shares issued on exercise of the EMR 2 Options – to be issued to EMR GP1,

as referred to in Section 1 (Introduction) of this report.

The associates of EMR Capital Investment (No2B) are:

EMR Capital Holdings Pty Ltd ACN 158 368 846

EMR Capital Pty Ltd ACN 150 950 066

EMR Capital Advisors Pty Ltd ACN 158 369 450

EMR Capital Limited Partner Pty Ltd ACN 160 297 049

EMR Capital International Pty Ltd ACN 159 343 530

EMR Capital GP Limited as general partner of EMR Capital Resources Fund, LP

EMR Capital GP 1 Limited as general partner of EMR Capital Resources Fund 1, LP

EMR Capital Investment (No.3) Cayman Limited

EMR Capital Investment (No.2) Pte Ltd

The associates of EMR GP and EMR GP1 are all of the above, including EMR Capital Investment (No2B).

EMR has an experienced management team, including Mr Richard Crookes who has been appointed as EMR's nominee non-executive Director to the Board of the Company.

Richard has over 25 years' experience in the resources and investments industry. He is a geologist by training having worked as the Chief Geologist and Mining Manager of Ernest Henry Mining (now Glencore). Prior to Richard joining EMR as an Investment Director he was an Executive Director in Macquarie Bank's Metals Energy Capital Division where he managed all aspects of the Bank's principal investments in mining and metals companies.

Richard has extensive experience in deal origination, evaluation, post-acquisition management, client relationship management, marketing and execution of investment entry and exits for both private and public resources companies in Australia and overseas.

Separate to the EMR's right to appoint a nominee Director to the Board of the Company, the Company also appointed Mr Owen Hegarty as a non-executive Director to the Board in August 2013. Owen is the Chairman of EMR.

Owen has some 40 years' experience in the global mining industry. He spent 25 years with Rio Tinto where he was Managing Director of Rio Tinto Asia and Managing Director of the Group's Australian copper and gold business. He was the founder and CEO of Oxiana Ltd Group which grew from a small exploration company to a multi-billion dollar Asia Pacific focused base and precious metals producer, developer and explorer.

Owen was awarded the AusIMM Institute Medal in 2006 and the G.J. Stokes Memorial Award in 2008 for his achievements and leadership in the mining industry.

Owen is a director of various listed and unlisted resources companies including Hong Kong listed G-Resources Group Ltd, Fortescue Metals Group Ltd (ASX: FMG), Tigers Realm Coal Limited (ASX: TIG) and EMR. He is also a director of the AusIMM, and a member of a number of Government and industry advisory groups.

7. Economic analysis

Growth in the global economy is continuing at a moderate pace, helped by firmer conditions in the advanced countries. China's growth slowed a little earlier in the year but remains generally in line with policymakers' objectives. Commodity prices in historical terms remain high, but some of those important to Australia have declined.

Financial conditions overall remain very accommodative. Long-term interest rates and risk spreads remain low. Emerging market economies are once again receiving capital inflows. Volatility in many financial prices is currently unusually low. Markets appear to be attaching a very low probability to any rise in global interest rates over the period ahead.

In Australia, recent data indicate somewhat firmer growth around the turn of the year, but this resulted mainly from very strong increases in resource exports as new capacity came on stream; smaller increases in such exports are likely in coming quarters. Moderate growth has been occurring in consumer demand. A strong expansion in housing construction is now under way. At the same time, resources sector investment spending is starting to decline significantly. Signs of improvement in investment intentions in some other sectors are emerging, but these plans remain tentative as firms wait for more evidence of improved conditions before committing to significant expansion. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend over the year ahead.

There has been some improvement in indicators for the labour market in recent months, but it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably. If these and other domestic costs remain contained, inflation should remain consistent with the target over the next one to two years, even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and for some borrowers have edged lower over recent months. Savers continue to look for higher returns in response to low rates on safe instruments. Credit growth has picked up a little, including most recently to businesses. Dwelling prices have increased significantly over the past year, though there have been some signs of a moderation in the pace of increase recently. The exchange rate remains high by historical standards, particularly given the declines in key commodity prices, and hence is offering less assistance than it might in achieving balanced growth in the economy.

Looking ahead continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2–3 per cent target over the next two years.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision 1 July 2014.*

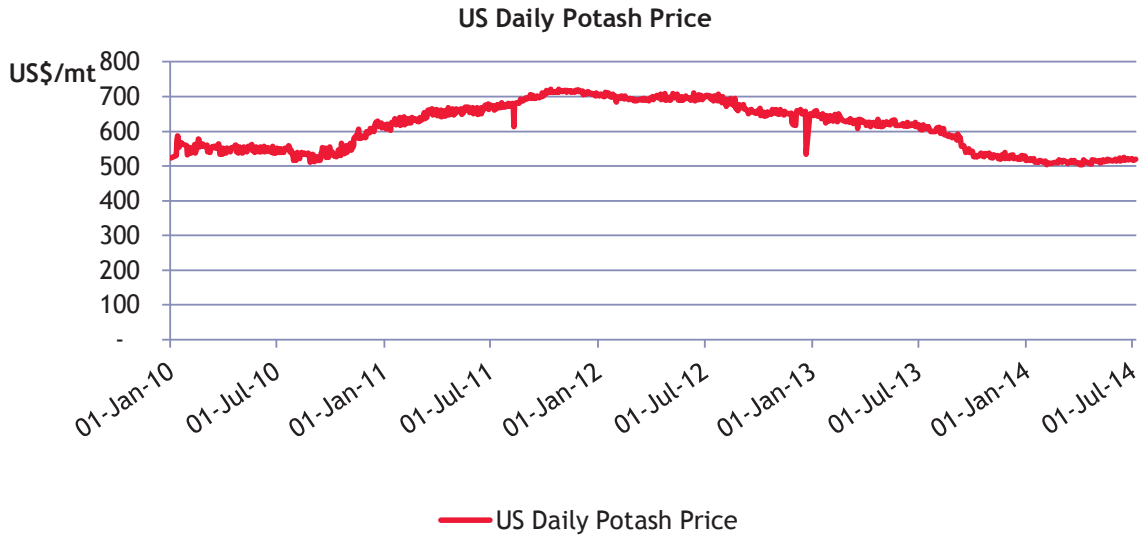
8. Industry analysis

8.1 Overview

Potash is the common name for mined and manufactured salts that contain potassium in water soluble form, the most common being potassium chloride. Potash is primarily used as an agricultural fertilizer as potassium is a primary plant nutrient. As a plant nutrient, potash has no substitute and, as a result, it is in high demand in countries where growing agriculture industries are needed to support fast growing populations.

8.2 Potash Prices

The chart below shows the US Daily Retail Average Potash price over the past several years.



Source: Bloomberg

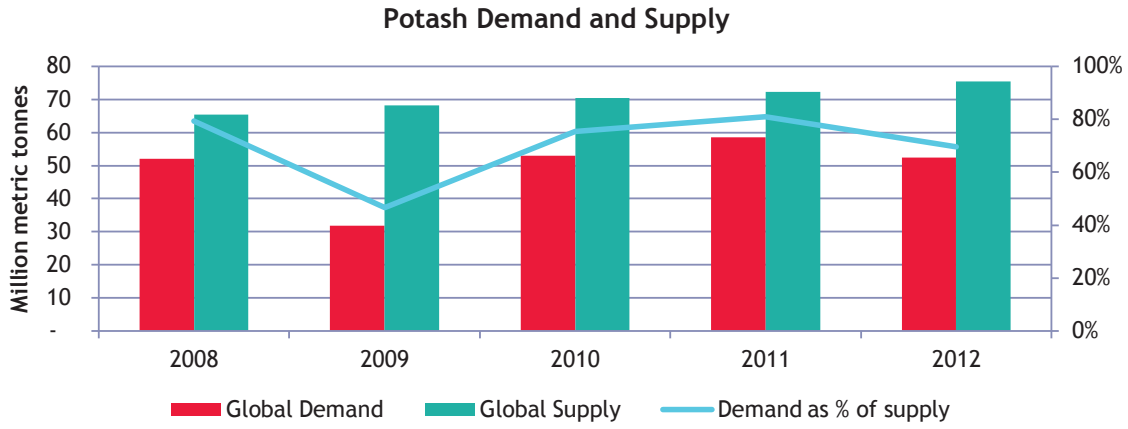
Potash prices declined more than 40% following the global financial crisis as a result of falling demand. For the majority of 2011 and 2012, the price of potash recovered and remained relatively stable at US$700/mt. The recovery was largely attributable to improving economic conditions in China and India resulting in increased demand for potash. Furthermore, 2012 saw the development of several new potash mines by large Northern American corporations.

In July 2013, potash prices dropped by nearly 30% as a result of the world's largest potash producer, OAO Uralkali, dissolving its marketing relationship with Belaruskali, Belarus' only potash producer. The two potash companies controlled over 40% of global potash exports with the cancellation of the marketing relationship resulting in OAO Uralkali selling potash at lower prices. This forced other companies to lower their prices to remain competitive.

Despite the continued development of new mines and the expansion of new facilities in more than 15 countries, potash prices at the start of 2014 fell to approximately US$500m/t. Along with increased competition between Potash producers, the world's largest consumers, China and India, also increased its' domestic production capacity resulting in the prices for potash dropping further.

8.3 Demand and Supply

The graph below shows the annual global potash demand and supply from 2008 to 2012:

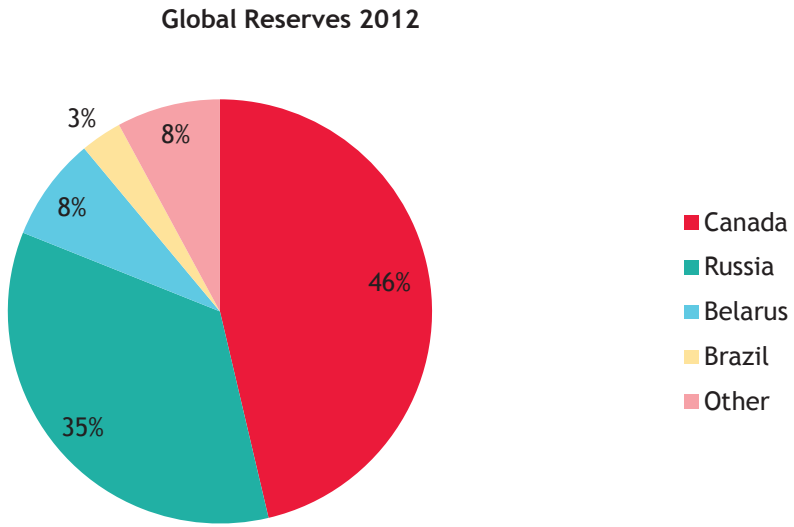


Source: Bloomberg

Annually, Potash supply has outstripped demand for the past five years, especially following the global financial crisis. However, more recently demand as a percentage of supply has increased to pre-GFC levels and stayed at approximately 80% and is generally expected to rise on the back of demand from developing countries in Asia and Africa.

8.4 Reserves

The graphs below show the known global reserves of Potash in 2012. Canada and Russia dominate over 80% of the Potash market. The Canadian province of Saskatchewan itself accounts for almost half of the world's known potash reserves.



Source: U.S Geological Survey

8.5 Global Outlook

The demand for potash will be largely determined by China and India and other developing nations as the middle class of these economies develop a taste for fresh, locally grown produce fuelling the demand for industrial fertiliser. According to the U.S Geological Survey, world consumption of potash is expected to increase by about 3% per annum over the next several years.

While demand for potash is expected to increase, potash prices are expected to remain relatively soft due to increased production, intensifying competition amongst potash producers. At the end of 2013, potash producers held stock well in excess of the 5 year average. Contributing to supply level was the world's largest growing potash consumers, China and India, establishing their own potash projects. Furthermore, a number of new projects in Russia and Canada are expected to be operational in 2018.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**')
- Discounted cash flow ('**DCF**')
- Quoted market price basis ('**QMP**')
- Net asset value ('**NAV**')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Highfield shares we have chosen to consider the following methodologies:

- Net Asset value;
- Quoted market price;
- Market based assessment;

We have chosen these methodologies for the following reasons:

- We have selected a NAV approach as our primary methodology; this incorporates a market based assessment of the exploration assets of Highfield. We have instructed Ravensgate to act as an independent specialist and to provide an independent market valuation of the Company's exploration assets in accordance with the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports 2005 ('the **Valmin Code**'). Ravensgate full report can be found in Appendix 3;
- An FME approach is not appropriate due to the nature of the Company's operations;
- As the Company does not have Reserves defined it is not appropriate to undertake a discounted cash flow approach as reasonable grounds in accordance with RG 170 is not considered to be available; and
- We will consider QMP as a secondary methodology and a cross check.

10. Valuation of a Highfield share prior to the Placement

10.1 Net Asset Valuation of Highfield

The value of Highfield's assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position	Reviewed 31-Dec-13 $	Low value $	Preferred value $	High value $
CURRENT ASSETS				
Cash and cash equivalents	7,456,633	14,152,252	14,152,252	14,152,252
Other receivables	777,469	777,469	777,469	777,469
TOTAL CURRENT ASSETS	8,234,102	14,929,721	14,929,721	14,929,721
NON-CURRENT ASSETS				
Deferred exploration & evaluation expenditure	26,050,942	77,380,000	92,430,000	107,490,000
Property, plant and equipment	50,863	50,863	50,863	50,863
Other receivables	32,926	32,926	32,926	32,926
TOTAL NON-CURRENT ASSETS	26,134,731	77,430,863	92,480,863	107,540,863
TOTAL ASSETS	34,368,833	92,360,584	107,410,584	122,470,584
CURRENT LIABILITIES				
Trade and other payables	1,336,859	193,784	193,784	193,784
TOTAL CURRENT LIABILITIES	1,336,859	193,784	193,784	193,784
TOTAL LIABILITIES	1,336,859	193,784	193,784	193,784
NET ASSETS	33,031,974	92,166,800	107,216,800	122,276,800
Shares on issue (number)	135,500,003	155,825,003	155,825,003	155,825,003
Value per share ($)	$0.2438	$0.5915	$0.6881	$0.7847

Source: BDO analysis

The following adjustments were made to the net assets of Highfield as at 31 December 2013 in arriving at our valuation.

Valuation of Highfields mineral assets

We instructed Ravensgate to provide an independent market valuation of the exploration assets held by Highfield. Ravensgate considered a number of different valuation methods when valuing the exploration assets of Highfield. Ravensgate applied the comparable transaction methodology to the exploration assets of Highfield. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider this method to be appropriate given the stage of development of Highfield's exploration assets.

The range of values for each of Highfield's exploration assets as calculated by Ravensgate is set out below:

Mineral Asset	Low Value $m	Preferred Value $m	High Value $m
Javier-Vipasca Resource	44.12	51.47	58.83
Javier-Vipasca Exploration	2.32	3.02	3.73
Pintano Mineral Resource	25.56	30.67	35.78
Pintano Exploration	1.49	2.09	2.69
Sierra del Perdón	3.89	5.18	6.48
Total	**77.38**	**92.43**	**107.49**

Source: Ravensgate Report contained at Appendix 3

The table above indicates a range of values between $77.38 million and $107.49 million, with a preferred value of $92.43 million.

Cash

We have adjusted the cash balance to reflect the balance per the 31 March 2014 management accounts adjusted for the issue of 20,325,000 shares raising $9,756,000. We note the approval being sought in relation to the issue is a ratification rather than approval and refreshes the Company's placement capacity.

Accounts payable

We have adjusted the accounts payable to reflect the balance as at 31 March 2014.

Shares on issue

We have adjusted the shares on issue to reflect the capital raising referred to above.

10.2 Quoted Market Prices for Highfield Securities

To provide a comparison to the valuation of Highfield in Section 10.1, we have also assessed the quoted market price for a Highfield share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and

- access to potential tax losses.

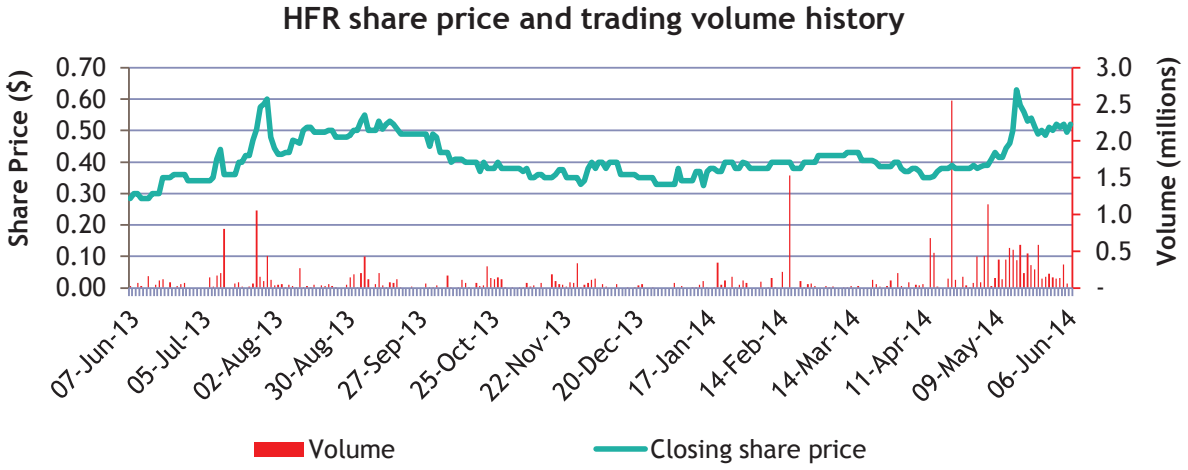
Whilst EMR will not be obtaining 100% of Highfield, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Highfield share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Highfield share is based on the pricing prior to the announcement of the Placement. This is because the value of a Highfield share after the announcement may include the affects of any change in value as a result of the Placement. However, we have considered the value of a Highfield share following the announcement when we have considered reasonableness in Section 13.

Information on the Placement was announced to the market on 13 June 2014, however Highfield's shares had been in a trading halt since 9 June 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 6 June 2014 which was the last trading day prior to the announcement of the Placement.



Source: Bloomberg

The daily price of Highfield shares for the 12 months to 6 June 2014 has ranged from a low of $0.280 on 14 June 2013 to a high of $0.680 on 19 May 2014. From June 2013 to September 2013, the share price showed an upward trend and has since remained relatively stable up until May 2014. The most significant trading volumes were experienced in the three months between April 2014 and June 2014. The highest single day of trading was on 23 April 2014, where 2,550,800 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		$	(movement)		$	(movement)	
5/06/2014	More Drilling Success at Highfield's Potash Projects	0.495	▼	4.8%	0.000	▼	100.0%
20/05/2014	Highfield Delivers Compelling PFS for Javier Potash Project	0.560	▼	3.4%	0.510	▼	8.9%
16/05/2014	Upgraded JORC Compliant Resource Estimate for Javier Project	0.630	▲	26.0%	0.530	▼	15.9%
12/05/2014	Significant Drill Hole Completed at Javier Potash Project	0.415	▶	0.0%	0.500	▲	20.5%
1/05/2014	Completion of Initial Drilling in Fronterizo Permit Area	0.380	▼	2.6%	0.390	▲	2.6%
30/04/2014	Quarterly Activities Report	0.390	▲	2.6%	0.390	▶	0.0%
30/04/2014	Quarterly Cashflow Report	0.390	▲	2.6%	0.390	▶	0.0%
26/03/2014	PFS for Javier Potash Project in Final Stages	0.385	▶	0.0%	0.400	▲	3.9%
30/01/2014	Quarterly Cashflow Report	0.400	▲	5.3%	0.380	▼	5.0%
30/01/2014	Quarterly Activities Report	0.400	▲	5.3%	0.380	▼	5.0%
29/11/2013	Javier Drilling Delivers New Vipasca Project Area	0.340	▲	3.0%	0.380	▲	11.8%
27/11/2013	Sierra Del Perdon Potash Project Update	0.350	▶	0%	0.380	▲	9%
20/11/2013	Maiden Pintano Potash Project JORC Mineral Resource Estimate	0.375	▲	4%	0.350	▼	7%
31/10/2013	Quarterly Activities Report	0.380	▶	0%	0.380	▶	0%
31/10/2013	Quarterly Cashflow Report	0.380	▶	0%	0.380	▶	0%
8/10/2013	Highfield Delivers Maiden Inferred JORC Resource at Javier	0.430	▶	0%	0.410	▼	5%
16/09/2013	Highfield Resources Spanish Projects Update	0.530	▲	2%	0.490	▼	8%
3/09/2013	Highfield to Focus Exclusively On Spanish Potash Projects	0.500	▶	0%	0.500	▶	0%
9/08/2013	Second and Final Tranche of EMR Capital Investment Received	0.465	▼	1%	0.510	▲	10%
1/08/2013	Successful Drilling at Sierra Del Perdon Project	0.445	▼	7%	0.430	▼	3%
24/07/2013	Quarterly Activities Report	0.470	▲	12%	0.585	▲	24%
24/07/2013	Quarterly Cashflow Report	0.470	▲	12%	0.585	▲	24%

On 24 July 2013, Highfield released its quarterly activities report for the June 2013 Quarter. The report outlined the commencement of a drilling campaign at its Sierra del Perdon potash project and the JORC Code complaint Resource estimate for the Javier project due to be released in August 2013. On the day of the announcement, Highfield's share price closed 12% higher at $0.470 and continued to increase by 24% to $0.585 in the three days following the release.

On 1 August 2013, the Company announced that potash mineralisation had been intersected in the initial drill hole at its Sierra del Perdon potash project. The share price fell by 7% to $0.445 on the day of the announcement and declined by a further 3% to $0.430 in the three days subsequent. Given the seemingly positive nature of the announcement, we consider this an unexplained price movement.

On 9 August 2013, Highfield announced that it had received the final investment of $4.87 million from EMR, resulting in EMR holding 40 million Highfield shares. On the day of the announcement, the Company's share price decreased by 1% to $0.465; however in the following three days, the share price increased by 10% to $0.510.

On 29 November 2013, the Company announced that four drill holes at its Javier Potash project had been completed with all indicating intersecting thick potash mineralisation. The Company also announced the successful permit application lodged at its new Vipasca Project. On the day of the announcement, the share price of Highfield increased by 3% to $0.340 and continued to increase by 11.85% to $0.380 in the following three days.

On 12 May 2014, Highfield announced the completion of its drilling campaign at its Javier Potash project with the release of its JORC compliant mineral resource estimate and Preliminary Feasibility Study to be released shortly after. On the day of the announcement, Highfield's share price remained unchanged; however in the three days subsequent the share price increased by 20.5% to $0.500.

On 16 May 2014, Highfield released the upgraded JORC compliant Measured and Indicated Mineral Resource estimate at its Javier Potash project with the Preliminary Feasibility Study to follow shortly. The share price increased by 26% to $0.630 on the day of the announcement; however fell by 15.9% to $0.530 in the following three days.

On 5 June 2014, the Company announced additional exploration results and project updates for its Javier, Pintano and Sierra del Perdon Potash projects. Drill results indicated mineralised depths from surface of less than 250m. On the day of the announcement, the Company's share price fell by 4.8% to $0.495.

To provide further analysis of the market prices for a Highfield share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 6 June 2014.

	6-Jun-14	10 Days	30 Days	60 Days	90 Days
Closing price	$0.520				
VWAP		$0.502	$0.480	$0.443	$0.434

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Placement, to avoid the influence of any increase in price of Highfield shares that has occurred since the Placement was announced.

An analysis of the volume of trading in Highfield shares for the twelve months to 6 June 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.500	$0.520	55,851	0.04%
10 Days	$0.475	$0.530	2,093,906	1.34%
30 Days	$0.380	$0.680	8,522,531	5.47%
60 Days	$0.350	$0.680	13,245,233	8.50%
90 Days	$0.350	$0.680	15,619,398	10.02%
180 Days	$0.325	$0.680	19,720,806	12.66%
1 Year	$0.280	$0.680	26,399,509	16.94%

Source: Bloomberg, BDO analysis

This table indicates that Highfield's shares display a moderate level of liquidity, with 16.94% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Highfield, we do consider there to be a deep market for the Company's shares as a result of 16.94% of the Company's current issued capital being traded over the twelve months prior to the announcement of the Placement and the significant and explained movements in share price.

Our assessment is that a range of values for Highfield shares based on market pricing, after disregarding post announcement pricing, is between $0.44 and $0.52 per share.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU$m)	Average Control Premium (%)
2014	1	60.31	32.29
2013	15	52.64	59.55
2012	19	135.78	42.67
2011	20	634.68	31.40
2010	22	789.90	46.09
2009	29	86.80	39.23
2008	8	553.76	38.87
	Median	**135.78**	**39.23**
	Mean	**330.55**	**41.44**

Source: Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that there has been an increasing trend of control premiums paid by acquirers of general mining companies since 2008, with the average control premium peaking in 2013. The long term average of announced control premiums paid by acquirers of mining targets in Australia is in excess of 40%.

As the Placement will result in EMR increasing its interest in Highfield from approximately 25.67% to approximately 35.95% on an undiluted basis, EMR should be expected to pay a control premium. Taking into account of the above analysis, an appropriate control premium to apply in our valuation of Highfield's shares is between 20% and 30%.

Quoted market price including control premium

Applying a control premium to Highfield's quoted market share price results in the following quoted market price value including a premium for control:

	Low $	Midpoint $	High $
Quoted market price value	0.4400	0.4800	0.5200
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	**0.5280**	**0.6000**	**0.6760**

Source: BDO analysis

Therefore, our valuation of a Highfield share based on the quoted market price method and including a premium for control is between $0.5280 and $0.6760, with a midpoint value of $0.6000.

10.3 Assessment of a Highfield share value

The results of the valuations performed are summarised in the table below:

	Low $	Preferred $	High $
Net assets value (Section 10.1)	**0.5915**	**0.6881**	**0.7847**
ASX market prices (Section 10.2)	**0.5280**	**0.6000**	**0.6760**

Source: BDO analysis

We consider the Net Asset Value to be the most appropriate valuation methodology due to the low level of liquidity of Highfield's shares. We note however that the ranges of the two methodologies overlap significantly and that the QMP provides an appropriate support for the NAV.

Based on the results above we consider the value of a Highfield share to be between $0.5915 and $0.7847, with a preferred value of $0.6881.

11. Valuation of Highfield shares on a minority basis following the Placement

In our assessment of the value of a Highfield share on a minority basis following the Placement, we have chosen to employ the sum-of-parts method. The value of Highfield's assets on a going concern basis, following the Placement is reflected in our valuation below:

Valuation following the Placement	Pre Placement value	Low value	Preferred value	High value
	$	$	$	$
CURRENT ASSETS				
Cash and cash equivalents	7,456,633	26,902,252	26,902,252	26,902,252
Other receivables	777,469	777,469	777,469	777,469
TOTAL CURRENT ASSETS	8,234,102	27,679,721	27,679,721	27,679,721
NON-CURRENT ASSETS				
Deferred exploration & evaluation expenditure	26,050942	77,380,000	92,430,000	107,490,000
Property, plant and equipment	50,863	50,863	50,863	50,863
Other receivables	32,926	32,926	32,926	32,926
TOTAL NON-CURRENT ASSETS	26,134,731	77,430,863	92,480,863	107,540,863
TOTAL ASSETS	34,368,833	105,110,584	120,160,584	135,220,584
CURRENT LIABILITIES				
Trade and other payables	1,336,859	193,784	193,784	193,784
TOTAL CURRENT LIABILITIES	1,336,859	193,784	193,784	193,784
TOTAL LIABILITIES	1,336,859	193,784	193,784	193,784
NET ASSETS	33,031,974	104,916,800	119,966,800	135,026,800
Shares on issue (number)	135,500,003	180,825,003	180,825,003	180,825,003
Value per share ($)	$0.2438	0.5802	0.6634	0.7467
Minority Discount		23.08%	20.00%	16.67%
Value per share on a minority basis		$0.4463	$0.5308	$0.6223

Cash

We have adjusted cash for the $12.75 million received under the Placement for the issue of 25 million shares.

Shares on issue

We have adjusted the shares on issue to reflect the Placement referred to above. We have considered the options to be issued to EMR under resolutions 4 and 5, with an exercise price of $0.75 and have not adjusted for these as they are out of the money following the Placement.

Minority Discount

The value of a Highfield share following the Placement derived from the NAV method is reflective of a controlling interest. Following the Transaction, RG 111.31 considers that Shareholders will become minority interest shareholders in Highfield as EMR will hold a controlling interest, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of that company.

Therefore, as required under RG 111.31, we have adjusted our valuation of a Highfield share following the Placement to reflect a minority interest holding. The minority discount we have applied is the inverse of the premium for control we determined on page 25 in section 10.2 of our Report (ie 1- Control premium = minority discount).

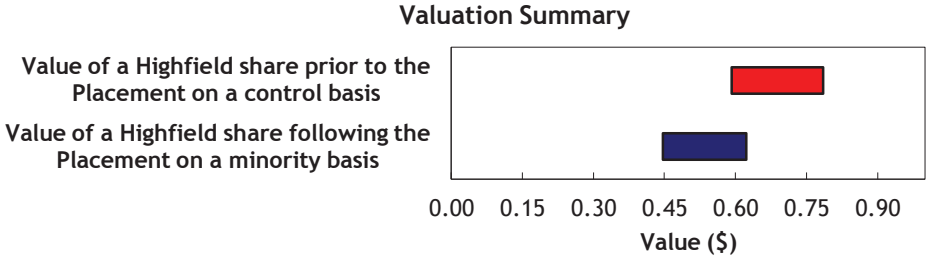
11.1 Assessment of a Highfield share value

Based on the assessment above we consider the value of a Highfield share post Placement on a minority interest basis to be between $0.4463 and $0.6223, with a preferred value of $0.5308.

12. Is the Placement fair?

The value of a Highfield share prior to the Placement on a controlling basis is compared below to the value of a Highfield share following the Placement on a minority basis:

	Ref	Low $	Preferred $	High $
Value of a Highfield share prior to the Placement on a control basis	10.1	**0.5915**	**0.6881**	**0.7847**
Value of a Highfield share following the Placement on a minority basis	11.1	**0.4463**	**0.5308**	**0.6223**



Source: BDO Analysis

We note from the table above that the value of a Highfield share prior to the Placement is higher than the value of a Highfield share following the Placement. Therefore, we consider that the Placement is not fair.

13. Is the Placement reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Highfield a premium over the value ascribed to the Placement. We note that Highfield also conducted a placement to institutional investors at $0.48 per share and as such the EMR Placement is at a 6.25% premium to this.

13.2 Practical Level of Control

If the Placement is approved then EMR will hold an interest of between 32.42% and 35.95% (depending on the passage of other resolutions) in Highfield. In addition to this, Highfield has an existing Board member nominated by EMR. If all dilutionary securities are issued, EMR would have a holding of approximately 19.9%.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of votes cast to be voted in favour to approve a matter. If the Placement is approved then EMR will be able to block special resolutions.

Highfield's Board currently comprises five directors including Mr Owen Hegarty who is the Chairman of EMR. EMR will not be able to nominate additional directors and therefore EMR related directors will make up 40% of the Board.

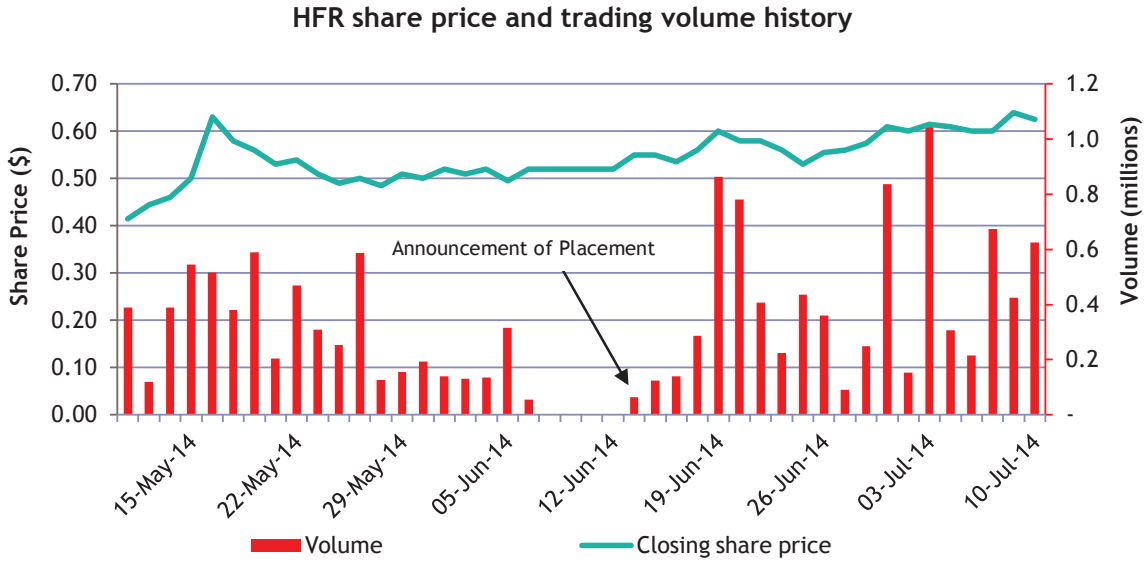
EMR's control of Highfield following the Placement will be significant when compared to all other shareholders. EMR will have a stake enabling the blocking of special resolutions but unable to pass ordinary resolutions. Therefore, in our opinion, while EMR will be able to significantly influence the activities of Highfield, it will not be able to exercise a similar level of control as if it held 100% of Highfield.

13.3 Consequences of not Approving the Placement

If the Placement is not approved alternative funds would be required to be raised to fast track development activities at the Company's three Spanish potash projects. This may be at a value that is more dilutionary than the Placement.

Potential decline in share price

We have analysed movements in Highfield's share price since the Placement was announced. A graph of Highfield's share price since the announcement is set out below.



Source: Bloomberg

The announcement of the Placement was made to the market on 13 June 2014. On that day approximately 0.065 million shares were traded and Highfield's share price closed 5.5% higher at $0.550. Since the announcement, Highfield's share price has traded between $0.530 and $0.640. On 10 July 2014, the Company's share price closed at $0.625.

Given the above analysis, it is likely that if the Placement is not approved then Highfield's share price may decline back to pre-announcement levels.

13.4 Advantages of Approving the Placement

We have considered the following advantages when assessing whether the Placement is reasonable.

Advantage	Description
The Placement strengthens the Company's balance sheet	The Placement raises $12.75 million in cash.
Allows development of the Company's three Spanish potash projects	The funds are to be used to fast track the development of the Company's projects enabling the Company to seek to realise the potential upside of the projects.
The Placement is at a Premium to the concurrent capital raising.	We note that Highfield is also conducting a placement to institutional investors at $0.48 per share and as such the EMR Placement is at a 6.25% premium to this raising which is on an arms' length basis.

13.5 Disadvantages of Approving the Placement

If the Placement is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The Placement is not fair	In accordance with RG 111 we have assessed fairness by comparing the value of a Highfield share on a controlling interest basis prior to the transaction with the value of a Highfield share on a minority interest basis following the transaction. As the value of a Highfield share prior to the Placement is higher than the value of a Highfield share following the Placement we consider that the Placement is not fair. We note that on a controlling basis following the value of a Highfield share is in the range of $0.5915 to $0.7847 with a preferred value of $0.6881 which has a significant overlap with the range of the value of a Highfield share prior to the Placement.
Dilution of existing shareholders	If the Placement is approved then EMR will hold an interest of between 32.42% and 35.95% on an undiluted basis and accordingly non associated shareholders will hold between 64.05% and 67.58%, which reduces their exposure to the underlying assets and their level of control of the Company.
Potential lower level of liquidity	As EMR will hold a significant stake the amount of liquidity as a percentage of the total issued capital may decrease, we note that there is no reduction in the amount of "free float" shares on issue as a result of the Transaction, so this may have little impact on Shareholders.

14. Conclusion

We have considered the terms of the Placement as outlined in the body of this report and have concluded that the Placement is not fair but reasonable to the Shareholders of Highfield.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Highfield for the years ended 30 June 2013 and 30 June 2012;
- Half year reviewed financial statements of Highfield for the six months ended 31 December 2013;
- Unaudited management accounts of Highfield for the period ended 31 March 2014;
- Independent Valuation Report of Highfield mineral assets dated 17 July 2014 performed by Ravensgate;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Highfield.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $25,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Highfield in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Highfield, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Highfield and EMR and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Highfield and EMR and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Highfield, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Highfield and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 16 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Highfield for inclusion in the Explanatory Memorandum which will be sent to all Highfield Shareholders. Highfield engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the Placement to EMR is fair and reasonable to non associated shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Placement, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Highfield, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Highfield.

The valuer engaged for the mineral asset valuation, Ravensgate, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
Additional EMR Shares	The Shares which would be issued on exercise of the EMR Options 1 and EMR Options 2
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	Highfield Resources Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EMR	EMR Capital Holdings Pty Ltd ACN 158 368 846
EMR Capital Investment (No2B)	EMR Capital Investment (No 2B) Pte Ltd
EMR GP	EMR Capital GP Limited
EMR GP1	EMR Capital GP 1 Limited
EMR Options 1	The 410,000 EMR Options 1 referred to in Section 1 (Introduction) of this report to be issued to EMR GP
EMR Options 2	The 1,590,000 EMR Options 2 referred to in Section 1 (Introduction) of this report to be issued to EMR GP1
FME	Future Maintainable Earnings
Highfield	Highfield Resources Limited
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

NAV	Net Asset Value
Ravensgate	Corvidale Pty Ltd As Trustee for the Ravensgate Unit Trust trading as Ravensgate - Independent specialist instructed by BDO to provide an independent market value of the Company's exploration assets in accordance with the Valmin Code
Our report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Share	Fully paid ordinary share in the capital of Highfield
Shareholders	Shareholders of Highfield not associated with EMR
Subscription Agreement	The Subscription Agreement made on 29 July 2014 between EMR Capital Investment (No2B), Highfield, EMR GP and EMR GP1
Tranche 2 EMR Shares	The 25,000,000 fully paid ordinary shares referred to in Section 1 (Introduction) of this report to be issued to EMR Capital Investment (No2B)
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Ravensgate
Mining Industry Consultants

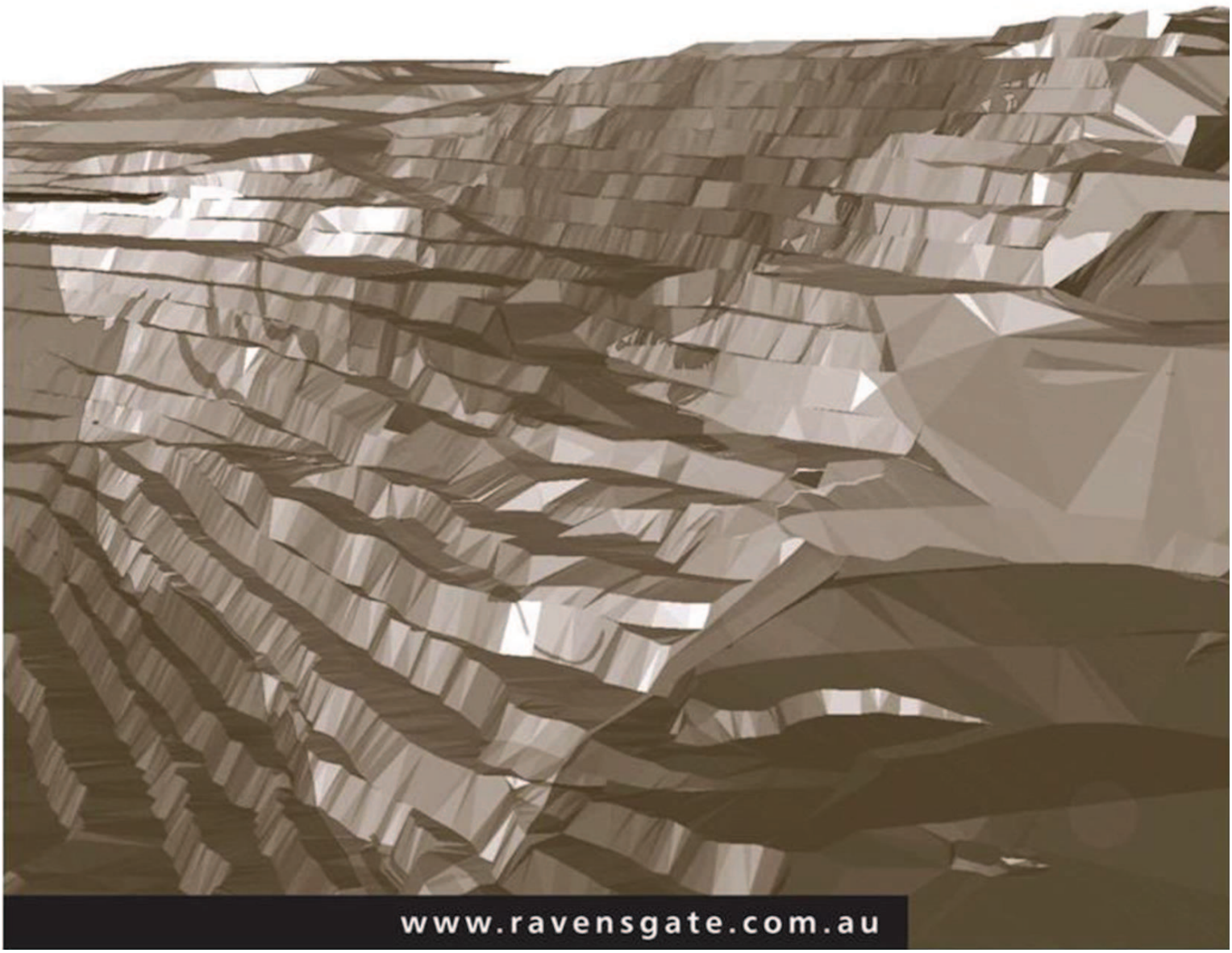
TECHNICAL PROJECT REVIEW

and

INDEPENDENT VALUATION REPORT
HIGHFIELD RESOURCES LIMITED - SPANISH POTASH MINERAL ASSETS

for

BDO CORPORATE FINANCE (WA) PTY LTD



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TECHNICAL PROJECT REVIEW

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INDEPENDENT VALUATION REPORT

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for

BDO CORPORATE FINANCE (WA) PTY LTD

7th July 2014

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TECHNICAL PROJECT REVIEW

and

INDEPENDENT TECHNICAL VALUATION

Prepared by RAVENSGATE on behalf of:

BDO Corporate Finance (WA) Pty Ltd

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Sam Ulrich
For and on behalf of:
RAVENSGATE

Alan Hawkins
For and on behalf of:
RAVENSGATE

Don Maclean
For and on behalf of:
RAVENSGATE

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1. EXECUTIVE SUMMARY

1.1 Background

Corvidae Pty Ltd ATF Ravensgate Unit Trust T/As Ravensgate (Ravensgate) was commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Highfield Resources Limited (Highfield) to provide a Technical Project Review on Highfield's Spanish potash mineral assets and an Independent Technical Valuation over these assets. This Technical Project Review and Independent Valuation Report were prepared by Ravensgate for inclusion in the Independent Expert's Report (IER) prepared by BDO. The effective date of this Technical Project Review and Independent Valuation Report prepared by Ravensgate is the 4th of July 2014.

The projects included in this report and Highfields ownership is listed below.

Mineral Asset	Highfield Ownership %
Javier-Vipasca Potash Project, Spain	100%
Pintano Potash Project, Spain	100%
Sierra del Perdón, Spain	100%

Highfield's Javier-Vipasca, Sierra del Perdón, and Pintano potash projects are located in the Ebro Potash producing basin in Northern Spain. The three projects are composed of nine investigation permits with one in the process of being converted from an exploration permit to an investigation permit. The projects were acquired in October 2012, and cover an area of ~370 km^2.

1.2 Project Review

The potash deposits within the Spanish states of Navarra, Aragón and Catalonia occur within separate yet genetically-related potash sub-basins. These sub-basins are situated within a roughly east-west trending foreland basin, the Ebro Basin, which parallels the present day Ebro Valley.

The Sierra del Perdón Project hosts two former operating mines that produced potash between 1963 and 1996. A total of 54,393,158 tonnes of sylvinite and carnallite ore were extracted between 1963 and 1996. 10,239,497 tonnes of K60 potash were produced over the period. This represents a net recovered grade of 18.8% K60 potash product and suggests an undiluted grade of 22.1% K60 potash product or 13.3% K_2O (based on a recovery rate assumption of 85%). In its latter years of operation the mine was producing around 200,000 tonnes of potash per annum. The mine was closed in 1997 when potash prices were US$110 per tonne and new mine infrastructure was required.

Approximately 40km to the southeast of Sierra del Perdón the Javier-Vipasca project covers an area of 97km^2. The depth to surface mineralisation is a relatively shallow (<300m) with predominantly sylvinite mineralisation that appears to be amenable to low cost conventional underground mining, accessed via a ramp. The deposit also has potential upside from the recently discovered Vipasca, to the northwest of the project area. The Pintano Project is immediately southeast of Javier-Vipasca. The depth to surface mineralisation at Pintano is marginally deeper (~500m) than at Javier-Vipasca, however the deposit appears to have stronger sylvinite mineralisation with significant exploration areas open to the east.

Drill programs commenced in 2013 aimed at confirming historical drill holes and targeting / infilling new areas with encouraging results to date. Additional lower beds may exist, as suggested in the logs from these recent drill holes, but there is insufficient information to confirm whether these are new beds or repeated beds in the lower salt layers.

The Javier-Vipasca resources (Table 1) have been defined by moderate amounts of drilling, with the Pintano resource (Table 2) having been defined by relatively sparse amounts of drilling. The drilling data in conjunction with geophysical data sets however, has allowed the

delineation of reasonably well-defined, potash beds of varying size or thickness with apparently relatively predicable K_2O grades and mineralogy.

Table 1 Javier-Vipasca JORC (2012) Mineral Resource (after Highfield May 2014)

Potash Bed	Sylvinite Tonnes In-Place	K_2O (wt %)	KCl (wt %)	$MgCl_2$ (wt %)	Insolubles (wt %)
MEASURED					
P0	2.2	9.7	15.4	1.7	22.2
PAB	9.1	11.7	18.5	0.6	14.0
P1	1.3	9.9	15.7	0.4	13.9
P2	4.8	11.8	18.7	0.5	8.1
TOTAL MEASURED	**17.4**	**11.3**	**17.9**	**0.71**	**13.4**
INDICATED					
P0	9.6	9.3	14.8	1.60	22.9
PAB	80.6	11.6	18.4	0.69	16.2
P1	16.0	9.5	15.0	0.40	13.3
P2	33.6	12.2	19.4	0.44	8.3
TOTAL INDICATED	**139.9**	**11.3**	**18.0**	**0.66**	**14.4**
TOTAL MEASURED & INDICATED					
P0	11.9	9.4	14.9	1.62	22.7
PAB	89.7	11.6	18.4	0.68	16.0
P1	17.3	9.5	15.1	0.40	13.4
P2	38.3	12.2	19.3	0.44	8.3
TOTAL M&I	**157.3**	**11.3**	**18.0**	**0.66**	**14.3**
INFERRED					
P0	5.1	9.1	14.4	1.70	22.4
PAB	65.1	11.4	18.1	0.73	16.8
P1	3.4	9.3	14.7	0.38	12.5
P2	37.6	11.0	17.4	0.42	8.2
TOTAL INFERRED	**111.3**	**11.1**	**17.6**	**0.66**	**14.0**

Notes:

Sylvinite is a mechanical mixture of sylvite (KCl) and halite (NaCl). Resource tonnes also include fractional impurities, principally $MgCl_2$ and insolubles.
Average bulk density of sylvinite 2.1 tonnes/m^3.
The resource estimate does not include any out-of-bed dilution.
Resource cut offs: (a) true thickness ≥ 1.5m: grade cutoff ≥ 8.0% K_2O, or (b) true thickness < 1.5m: grade-thickness cutoff ≥ 12.0% K_2O-m.
Resource reduced by 15.0% allowance for unknown geologic anomalies.
Measured Resource—sylvinite meeting cut off criteria located within 250m of a modern exploration core hole with assays, except where otherwise limited by geologic boundaries.
Indicated Resource—sylvinite meeting cut off criteria located between 250m and 1,000m of a modern exploration core hole with assays, except where otherwise limited by geologic boundaries.
Inferred Resource—sylvinite meeting cut off criteria located between 1,000m and 2,000m radius of a modern exploration core hole with assays or within 2,000m of an historical exploration core hole, except where otherwise limited by geologic boundaries.
See appendix for details regarding geology, exploration data, and estimation methodology.

At Javier-Vipasca appropriate industry standard drilling, sampling, assaying and QA/QC procedures have been adopted for modern core drilling. Adequate validation done of historic drilling data and uncertainties in assaying and data quality have been treated appropriately by applying lower confidence classifications (i.e. Inferred Resources). Some validation work on historic and modern assaying techniques is needed.

The Pintano estimate has been classified as an Inferred Resource due to uncertainties in the quality of historic drilling data and the wide drill spacing. The Pintano resource is largely based on extrapolation for 1,500m outward from three holes which appear to be in the central part of the basin.

Table 2 Pintano JORC (2004) Mineral Resource (after Highfield November 2013)

Potash Bed		Average Thickness (m)	Resource Area (ha)	In-Place Tonnes (millions)[1]	In-Place K_2O (wt %)	In-Place KCl (wt %)	Contained K_2O Tonnes (millions)	Contained KCl Tonnes (millions)
Inferred								
A–B[4]	**Sylvinite**	**7.3**	**1,228**	**187**	**11.2**	**17.8**	**20.9**	**33.2**

1 Average bulk density of sylvinite 2.1 tonnes/m^3.

2 Resource cutoffs: composite grade 8.0% K_2O and bed thickness 2.0 m.

3 Inferred Resource located within 1,500-m radius from an historical exploration core hole with assays.

4 Main potash intercept comprised of sylvinite Bed A, sylvinite Bed B, and lower grade sylvinite A-B interburden.

Aside from fluctuating commodity prices the major risks to the Javier-Vipasca and Pintano resource are geological. Such risks include variations in bed thickness, grade and continuity, local sterilisation of resources by faulting, folding and other structural features, and variations in sylvinite mineralogy from features such as sygenetic faulting, basement carbonate mounds, algal reefs, post-depositional gypsum dewatering and groundwater dissolution along fault conduits.

Ravensgate's opinion is that the overall resource reporting outcome for Javier-Vipasca and Pintano is reasonable and the modifying factors have generally been appropriately applied to the estimates. Agapito Associates Inc. (AAI) have used a "Radius of Influence" (ROI) approach in classifying the resource which is a commonly used methodology in the Potash Industry. Ravensgate cautions that the ROI approach used in this instance may be overstating implied confidence in grade continuity at Javier-Vipasca (particularly for the Measured Category), and recommends review of the JORC Resource Classification criteria used in reporting this resource and providing better supporting evidence for classification criteria.

The Javier-Vipasca and Pintano Projects contains significant potash resources at economic tenor that warrant further economic evaluation and study.

Additional drilling is needed to improve drilling coverage and confirm/demonstrate grade and potash bed continuity and allow classification of resources to appropriate resource categories. Additional seismic and geophysical data will also assist in refining geological interpretations.

1.3 Technical Valuation

The valuation presented in this report was completed on behalf of BDO. The valuation has been completed with information provided by and with the full support of Highfield. The applicable valuation date is 4 July 2014. The projects can be classified as Pre-Development and Advanced Exploration Area Mineral Assets. Mineral Resources as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) have been reported (Table 1 and Table 2).

Ravensgate did not carry out a site visit to the Spanish projects. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made.

Ravensgate is of the opinion that no significant additional benefit would have been gained through a site visit to the Spanish project areas at this stage.

To derive appropriate values for the various projects Ravensgate reviewed the mineral resources, exploration data and prospectivity for the projects. The preferred value thus determined for each project was based upon a review of the mineral resources and prospectivity of each project and the number and quality of exploration targets on each project as described in Sections 3, 4 and 5. To derive the valuations for the mineral resources, Ravensgate reviewed the resources and the values assigned reflect the confidence and grade of the mineral resources.

Ravensgate has concluded that Highfields's Spanish potash projects are of merit (although at varying stages of exploration and subsequent Mineral Asset classification), and worthy of further exploration or development. A summary of the Highfield's project valuation in respective ownership terms is provided in Table 3. The applicable valuation date is 4 July 2014 and is derived from using the Comparable Transactions valuation method. The value of the Highfield projects is considered to lie in a range from $77.37M to $107.49M within this range Ravensgate has selected a preferred value of $92.43M. As the technical valuation is based on comparable market transactions it can be considered to also be the market value. The definition of market value that Ravensgate adopts is that used in the VALMIN code, which is the market value definition as defined by the International Valuation Standards Committee (IVSC).

Table 3 Summary Project Technical Valuation in Respective Ownership Terms

Project	Mineral Asset	Ownership %	Area km^2	Valuation		
				Low $M	Preferred $M	High $M
Javier-Vipasca Mineral Resource	Pre Development	100%	NA	44.12	51.47	58.83
Javier-Vipasca Exploration Tenure	Advanced Exploration Area	100%	57.92	2.32	3.02	3.73
Pintano Mineral Resource	Advanced Exploration Area	100%	NA	25.56	30.67	35.78
Pintano Exploration Tenure	Advanced Exploration Area	100%	108.9	1.49	2.09	2.69
Sierra del Perdón	Advanced Exploration Area	100%	149.80	3.89	5.18	6.48
TOTAL	**Various**	**100%**	**316.62**	**77.37**	**92.43**	**107.49**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

Project areas are comprised of only granted permits.

2. INTRODUCTION

The objective of this report is to firstly provide a Technical Project Review of Highfield Resources Limited's (Highfield) Spanish projects. The second objective of this report is to provide a market valuation and technical assessment of these projects prepared in accordance with the guidelines of the VALMIN Code. The work has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Highfield. The Independent Expert's Report (IER) will be included in Highfields' Notice of Meeting.

This report does not provide a valuation of Highfield as a whole, nor does it make any comment on the fairness and reasonableness of any proposed transaction between any two companies. The conclusions expressed in this Technical Project Review and Independent Technical Valuation are valid as at the Valuation Date (4 July 2014). The review and valuation is therefore only valid for this date and may change with time in response to changes in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values included in this report are expressed in Australian dollars (A$) unless otherwise stated.

This report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code) as adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) in April 2005. The report has also been prepared in accordance with ASIC Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts). The Technical Project Review and Independent Technical Valuation report has been compiled based on information available up to and including the date of this report.

2.1 Terms of Reference

Corvidae Pty Ltd as trustee for the Ravensgate Unit Trust trading as Ravensgate (Ravensgate) has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Highfield Resources Limited (Highfield) to provide an Independent Technical Project Review and Independent Technical Valuation on Highfield's Spanish Mineral Assets.

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (JORC Code).

2.2 Tenement Status Verification

Ravensgate has not independently verified the status of all the tenements that are referred to in this report as set out in Sections 3.2, 4.2and 5.2 of this report for the Javier-Vipasco, Pintano and Sierra del Perdón projects, respectively. This is a matter for independent legal or tenement experts. Highfield commissioned an independent review of Highfield's tenement status. Legal specialist ARPA Abogados Consultores (ARPA), of Pamplona, Spain completed this review and did not identify any material issues that would impact on Ravensgate's valuation.

Ravensgate is satisfied, based on ARPA's review, that the tenements are in good standing and the values assigned to the tenements correctly reflect Highfield's ownership.

2.3 Site Investigation

Ravensgate did not carry out a site visit to Highfield's Spanish projects. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. Ravensgate is of the opinion that no significant additional benefit would have been gained through a site visit to the project areas at this stage. Ravensgate has concluded that the project is of technical merit and is worthy of conducting further review and exploration or development.

2.4 Qualifications, Experience and Independence

Ravensgate is an internationally recognised and respected minerals industry consultancy that has been serving the industry with excellence since 1997. Ravensgate provides world class technical expertise to the mining and resource sector globally. The company has worked for major clients globally, such as Freeport at Grasberg Mine, Ok Tedi Gold Mine in Papua New Guinea, Goldfields and Newmont in Ghana and many junior resource companies which are ASX (Australian Stock Exchange), TSX (Toronto Stock Exchange) or AIM (London Stock Exchange) listed. Ravensgate has focused upon providing resource estimations, valuations, independent technical documentation and has been involved in the preparation of Independent Reports for Canadian, Australian and United Kingdom companies.

Author: Sam Ulrich, Principal Consultant, BSc (Hons) Geology, GDipAppFin, MAusIMM, MAIG, FFin.

Sam Ulrich is a geologist with over 19 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia, Indonesia, Laos and China primarily in gold, base metals and uranium. Prior to joining Ravensgate Sam worked for Manhattan Corporation Ltd a uranium exploration and resource development company in a senior management position. Mr Ulrich holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

Co-Author: Alan Hawkins, Principal Consultant, BSc (Hons) Geology, MSc (Ore Deposit Geology), MAIG, FSEG

Alan Hawkins is a geologist with over 18 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia and Indonesia, primarily in gold and copper. Prior to joining Ravensgate, Alan worked for Newmont Mining Corporation as a Principal Geologist in their exploration, corporate and business development divisions, providing technical support, due diligence and rapid first-filter geological and economic analysis to M&A teams in the Asia Pacific region as well as US and African EBD teams. This role also included project and non-core asset divestments including commercial negotiations with junior exploration companies, stakeholders and land & legal teams.

Previous to this, Alan held various principal and senior regional exploration management roles in WA and NT. In the 1990's Alan worked as a near mine exploration geologist for Eagle Mining Corporation NL, Great Central Mines Ltd and Normandy Mining Ltd at the Jundee-Nimary Gold Mine and was part of the team that discovered the +2Moz Au Westside deposit, where he also worked as a resource modelling geologist before joining Newmont's regional exploration team in 2002. Alan holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

Co-Author: Don Maclean, Principal Consultant and Director (NZ), MSc (Hons) Geology, MAIG, R.P Geo (Mineral Exploration and Mining), MSEG

Don Maclean is a geologist with more than 19 years' experience in the minerals industry. Don has worked in a number of different geological environments in Australasia, Africa, Central and Southeast Asia and Europe. He has a broad skill base, having worked in regional and near mine exploration, resource development and estimation, open pit and underground geology as well as in senior global management roles.

Don holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia 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'. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

Peer Reviewer: Stephen Hyland, Principal Consultant and Director, BSc Geology, FAusIMM, CIMM, GAA, MAICD.

Stephen Hyland has had extensive experience of over 25 years in exploration geology and resource modelling and has worked extensively within Australia as well as offshore in Africa, Eastern and Western Europe, Central and South East Asia, modelling base metals, gold, precious metals and industrial minerals. Stephen's extensive resource modelling experience commenced whilst working with Eagle Mining Corporation NL in the diverse and complex Yandal Gold Province where for three and half years he was their Principal Resource Geologist. The majority of his time there was spent developing the historically successful Nimary Mine. He also assisted the regional exploration group with preliminary resource assessment of Eagle's numerous exploration and mining leases. Since 1997, Stephen has been a full time consultant with the mining industry consulting firm Ravensgate where he is responsible for all geological modelling and reviews, mineral deposit evaluation, computational modelling, resource estimation, resource reporting for ASX / JORC and other regulatory compliance areas. Primarily, Stephen specialises in Geological and resource block modelling generally with the widely used MEDSystem / MineSight® 3D mine-evaluation and design software. Stephen Hyland holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

2.5 Disclaimer

The authors of this report, and Ravensgate, have no prior association with Highfield in regard to the mineral assets and have no interest in the outcome of the technical assessment.

Ravensgate is independent of Highfield, its directors, senior management and advisors and has no economic or beneficial interest (present or contingent) in any of the mineral assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for review work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are in the order of $20,000 to $25,000.

The relationship with Highfield is solely one of professional association between client and independent consultant. None of the individuals employed or contracted by Ravensgate are officers, employees or proposed officers of Highfield or any group, holding or associated companies of Highfield.

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guides 111 and 112 with respect to Ravensgate's independence as experts. Ravensgate regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests which would affect the expert's ability to present an unbiased opinion within this report.

This report has been compiled based on information available up to and including the valuation date. The statements and opinions are based on the reference date of 4 July 2014 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

2.6 Consent

Ravensgate consents to this report being distributed, in full, in the form and context in which the technical assessment in provided, for the purpose for which this report was commissioned. Ravensgate provides its consent on the understanding that the assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report.

2.7 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and data variously compiled by Highfield and their partners or consultants, publically available information such as ASX releases, government reports and discussions with Highfield's technical and corporate management personnel. With the consent of Highfield, the report sections describing the geology, historical exploration and current exploration have been reproduced from their reports. A listing of the principal sources of information is included in the references attached to this report.

Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to Highfield prior to finalisation by Ravensgate, requesting that Highfield identify any material errors or omissions prior to its final submission. Ravensgate does not accept responsibility for any errors or omissions in the data and information upon which the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

2.8 Competent Persons Statement

The information in this report that refers to the Javier-Vipasca mineral resource (Section 3.6) was prepared and disclosed under the JORC Code 2012 on the 16 May 2014. The reader is referred to Highfield's ASX announcement on this date for the relevant JORC Code Table 1 information.

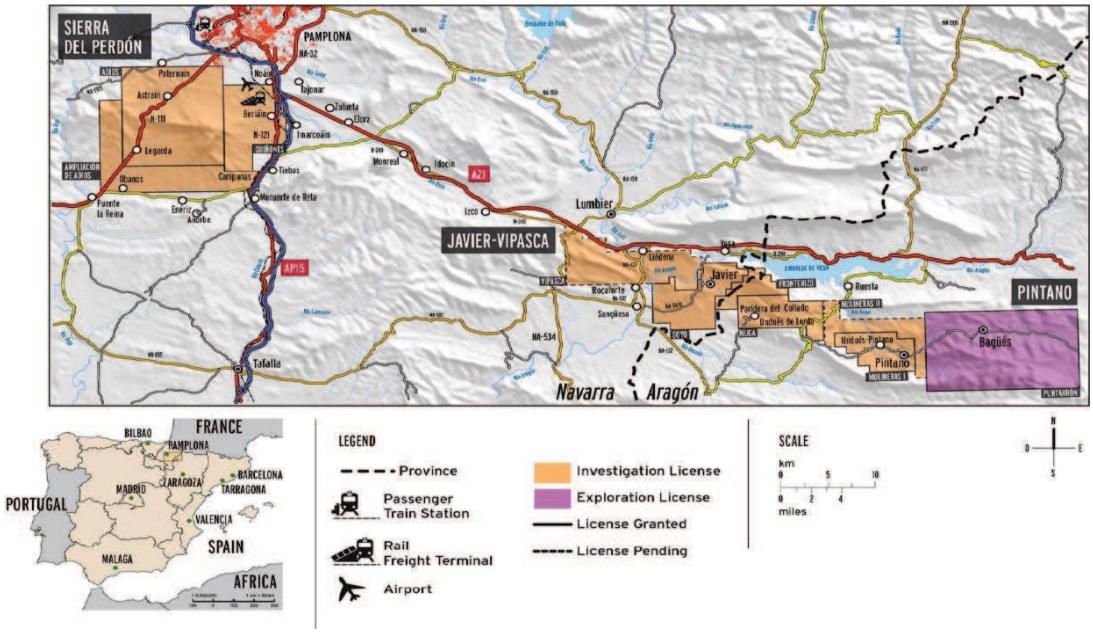
The information in this report that refers to the Pintano mineral resource (Section 4.6) was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was first reported (20 November 2013).

The information in this report that relates to Mineral Resources and Exploration Results is based on information prepared by Mr. Leo Gilbride, P.Eng and Ms. Vanessa Santos, P.Geo. of Agapito Associates, Inc. (AAI) of Colorado, U.S.. Mr. Gilbride is a licensed professional engineer in the State of Colorado, U.S. and is a registered member of the Society of Mining, Metallurgy and Exploration, Inc. (SME). Ms. Santos is a licensed professional geologist in South Carolina and Georgia, U.S., and is a registered member of the SME. SME is a Joint Ore Reserves Committee (JORC) Code 'Recognized Professional Organization' (RPO). An RPO is an accredited organisation to which the Competent Person (CP) under JORC Code Reporting Standards must belong in order to report Exploration Results, Mineral Resources, or Ore Reserves through the ASX. Mr. Gilbride is the Vice President of Engineering and Field Services and Ms. Santos is the Chief Geologist with AAI and both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a CP as defined in the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Gilbride and Ms. Santos consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

2.9 Background Information

The projects discussed in this report are located in northern Spain. A locality map of the projects is presented in Figure 1 below, with a summary of the Javier-Vipasca, Pintano and Sierra del Perdón tenement details listed in Sections 3.2, 4.2 and 5.2, respectively. Report file references and a glossary of terms are also included at the end of this report. Ravensgate understands that the tenements held by Highfield are held in good standing. A brief overview of the projects are outlined in Sections 3, 4 and 5. The Independent Valuation of the projects is outlined in Section 6.

Figure 1 Location of Highfield's Potash Projects



2.9.1 Potash

The word *potash* is a contraction of the term *muriate of potash* widely applied to naturally occurring potassium-bearing salts and their manufactured products. It is often expressed by the chemical formula KCl (potassium chloride). Although several salt species are classified as potash minerals, sylvite (KCl) is the natural form of the principal ore mineral; therefore the typical potash ore dominated by sylvite is called *sylvinite*. One tonne of chemically pure KCl contains an equivalent of 0.63 tonnes of K_2O (potassium oxide), which permits comparison of the nutrient levels in various forms of potash. Specifying K_2O is a common way to indicate the amount of potassium in ore, or fertilizer. Potash has historically been used in the manufacturing of many industrial and commercial materials including soaps, glass, and textiles. The most common use for potash is as a primary ingredient in the production of crop fertilisers around the world.

Potash deposits are a type of industrial mineral deposit that occurs primarily within sequences of salt-bearing evaporite sediments. Evaporite bodies are usually laterally extensive, layered and tabular geometries, although they can be structurally deformed and folded to varying degrees syn/post burial. As they share a common formative genesis, potash mineral accumulations are hosted within the bedded halite layers of these evaporitic sequences, and are typically confined to relatively narrow stratiform intervals within the depositional sequence.

The extreme solubility of potash salts results in their formation in highly restricted settings, precipitating towards the end of the carbonate-evaporite depositional series (Warren, 2006).

Potash salts are precipitated from saturated potassic brines as chemical sediments deposited at, or very near, the depositional surface as the basin approaches desiccation. Their geologic provenance therefore dictates that, excluding deformation, erosion, and other post-depositional destructive processes, nearly all potash deposits will exhibit some degree of lateral continuity. Potash grade may vary greatly between deposits. As described by Warren (2006), two controls (or combination of) to determine potash grade are currently proposed:

1) Sylvinite and carnallite are precipitated from solution at or within a few meters of the depositional surface by the actions of brine reflux and brine cooling. Potash grade and mineralogical character are directly related to and controlled by original brine chemistry as well as the geological mechanisms affecting the deposit at the time of deposition; or

2) As the absence of primary sylvite in modern day analogues suggests, potash grade is controlled by the post-depositional alteration and replacement of primary carnallite bearing sediments to sylvite. The character of the deposit continually evolves while it is in contact with diagenetic fluids.

3. JAVIER-VIPASCA POTASH PROJECT

3.1 Introduction

The Javier-Vipasca project covers an area of 97km² in northern Spain. The depth to surface mineralisation is a relatively shallow (<300m) with predominantly sylvinite mineralisation that appears to be amenable to low cost conventional underground mining, accessed via a ramp. The deposit also has potential upside from the recently discovered Vipasca, to the northwest of the project area.

3.1.1 Project Location

The project area is located in the Navarra sub-basin within the Ebro Basin, ~450km northeast of Madrid and ~35km to the southeast from Pamplona (Figure 1). The project tenements straddle the state borders between Navarra to the west and Aragón to the east.

3.1.2 Access

Major highways access the Project Area including AP-15 and A-127 as well as highway A-21 which connects Sierra del Perdón and Javier-Pintano (Figure 1). The highways and roads are generally good, and both areas are accessible by vehicle along major highways and grid roads.

3.1.3 Supporting Infrastructure

The Project Area is bound to the north by highway A-21 which connects the Sierra del Perdón and Javier-Pintano areas. Many other major highways and road systems connect to the Project Area and appear to be a main mode of transportation inland. The Port of Bilbao is located ~170km to the northwest (Figure 2). A series of train tracks are evident north of Sierra del Perdón and west of Javier-Pintano. The historic mine workings of the Sierra del Perdón area is located in an area of existing infrastructure with readily accessible power lines and gas pipelines in close proximity to Pamplona. Pamplona is host to an airport, passenger and freight rail infrastructure. The former mine administrative building, processing plants and production storage sheds are still present in the area. A salt factory is still in operation near Sierra del Perdón, manufacturing consumable/industrial salt from the former mine tailings.

Figure 2 Highway access (A), freight terminal (B) and the Port of Bilbao (C and D)

3.1.4 Geopolitical Environment

Spain is a member of the European Union and has a relatively low geopolitical risk profile. It is a well-developed country with established transport infrastructure and existing electricity, gas and water networks in place that has a long history of mining. The project area lies ~120km to the southeast of the Basque Country, an autonomous community of northern Spain.

According the IntierraRMG website, Control Risks Group Ltd, classifies Spain as low risk for Political, Operational, Security and Terrorism ratings, with a medium rating for the Basque Country with regard to Political and Security ratings.

3.2 Ownership and Tenure

Spanish mining permits are split into three categories: Exploration Permit (PE), Investigation Permit (PI) and Mining Concession. A PE is for desktop studies and lasts for a period of one year (it may be rolled over once). A PI is necessary for drilling, allows for the sinking of shafts and driving of declines and lasts for a period of three years (it may also be rolled over for multiple three-year periods). For a PI to be granted, an environmental review must be completed by the relevant government. A Mining Concession is for mineral extraction and lasts for periods of 30 years (it may be rolled over twice).

In addition to the above, if a permit sits in two provinces, it must be formally issued by the Central Government in Madrid under Article 71.3 of the Spanish Mining Code.

The Javier Project comprises four permits, Goyo, Fronterizo, Muga and Vipasca. Goyo and Muga are granted PI's in Navarra. Fronterizo straddles the Navarra and Aragón border and was granted 5 February 2014. The final permit, Vipasca, is an application which was lodged on 6 November 2013. Table 4 below provides permit details, with Figure 1 and Figure 3 showing tenement locations.

Figure 3 Javier-Vipasca Project Tenement Locations

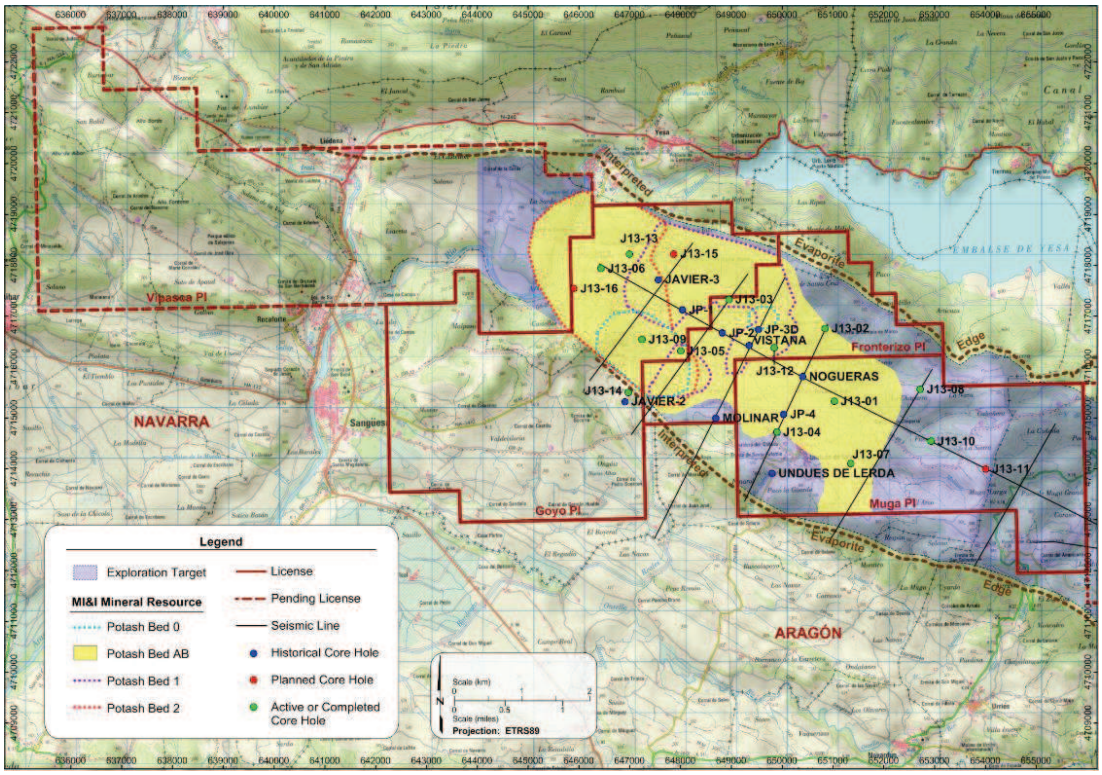


Table 4 Javier-Vipasca Project Tenement Details					
Permit Name & Reference No.	**Permit Type**	**Area (km^2)**	**Grant Date**	**Expiry Date**	**Owner and Equity**
Goyo 35780	Investigation	27.72	24/12/2012	24/12/2015	Geoalcali S.L. (100%)
Vipasca 35900	Investigation	38.97	pending		Geoalcali S.L. (100%)
Fronterizo 3502	Investigation	9.8	5/02/2014	5/02/2017	Geoalcali S.L. (100%)
Muga 3500	Investigation	20.4	9/04/2014	9/04/2017	Geoalcali S.L. (100%)

3.2.1 Project Ownership and Relevant Interests

The project is owned by Geoalcali Sociedad Limitada (Geoalcali S.L.). Geoalcali S.L. is a 100% owned Spanish subsidiary of Highfield Resources Limited, which it acquired through its acquisition of KCL Resources Ltd (KCL) in 2012.

3.2.2 Agreements

Pursuant to the Acquisition Agreement to acquire KCL, Highfield agreed the consideration of 100,000,000 performance shares to be converted to ordinary shares upon the successful completion of two project related milestones (50,000,000 ordinary shares per milestone):

1. 50,000,000 Performance Shares upon delineation of a JORC Code (or equivalent) compliant Indicated Mineral Resource of:
   - 150 million tonnes at a minimum grade of 13% K20 by content; or
   - 125 million tonnes at a minimum grade of 14% K_2O by content; or
   - 100 million tonnes at a minimum grade of 15% K_2O by content; or
   - 75 million tonnes at a minimum grade of 17% K_2O by content; or
   - 50 million tonnes at a minimum grade of 20% K_2O by content on the project; and
1. 50,000,000 Performance Shares upon announcement by the Company to ASX of receipt of all required approvals for the construction of an operating mine with capacity for 500,000 tonnes of potash per annum on the project

3.2.3 Royalties and Taxes

There are no royalties or other third party interests in the permits. Below is a summary of royalties and taxes relating to Spanish Company Law:

- Royalties – The Spanish royalty regime is an upfront percentage of capital expenditure (5%) as opposed to an ongoing stream. This can significantly reduce operating expenses relative to other global production.
- Corporate Tax Rate – Companies incorporated in Spain are considered resident in Spain for tax purposes and thus subject to a corporate income tax rate of 30%.
- Value-added Tax Rate – Ordinary rate of 18% applied on regular supplies of goods and services.

3.3 History

Potash was first discovered in the Ebro basin in the Catalonia area in 1912 at Suria after the potash discoveries in Germany (Moore 2012).

3.3.1 Ownership History

1963 – 1978: Potasas de Navarra. Mining commenced in the north western area of the deposit.

1978 – 1985: Potasas de Navarra. Mining moved into the north eastern area of the deposit, with the construction of the Berain Shaft.

1985 – 1996: Potasas de Subiza, S.A. (POSUSA). In 1985, Potasas de Navarra stopped mining activities, although their installations, technology and personnel became part of a new company, POSUSA, which was created with capital from the Instituto Nacional de Industria and the Foral Government of Navarra, to exploit the orebody at the Subiza zone, in the south eastern section of the deposit (Marina, 1987).

1997 – 2004: In 1997, the mines were closed and the decline was concreted over. In 2004, the permits lapse from an ownership perspective.

2004 – 2011: Under Spanish legislation the permits were put out to public auction, however no bids were received, due to subdued potash prices, with no further activity during this period.

2011 – 2012: Geoalcali S.L. (a Spanish company) applied for the permits in 2011 (and additional permits in 2012 and 2013). In 2012, an Australian unlisted public company, KCL Resources Limited (KCL), associated with Geoalcali S.L. shareholders, acquired KCL and therefore the ownership of the projects.

2012 – 2014: Highfield Resources Ltd. In October 2012, Highfield acquired a 100% interest in KCL.

3.3.2 Exploration History

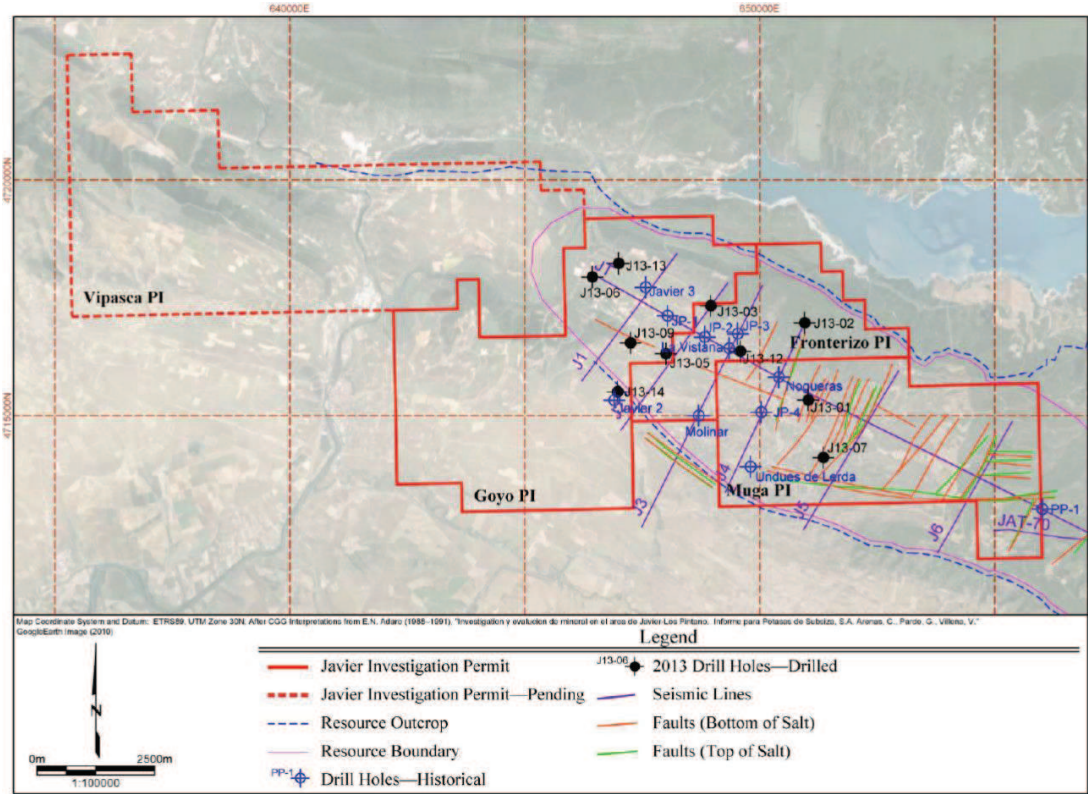
Extensive exploration was carried out by Empresa Nacional Adaro Investigaciones Mineras (e.n. adaro), in the late 1980s and early 1990s. Adaro, the state-owned group tasked with exploration and development of Spain's mineral resources, produced detailed reports and *reserve* studies of the Javier-Vipasca area.

Historic drilling carried out at Javier-Vipasca is recorded as follows:

- Pre-1987, six drill holes for a total of 3,743m;
- 1989 – 1990, four drill holes for a total of 2,204m;
- 1991, one drill hole for 455m.

A 2D high-resolution seismic survey was run for POSUSA in August–October 1988, by Compagnie Generale de Geophysique (CGG) over most of what is now the Javier-Vipasca area. This consisted of nine lines totalling 55km. Additional 2D seismic was run at an (unknown) later date, increasing the total available seismic survey data to 16 lines, totalling 87.3km (RPS Energy Canada Limited [RPS] 2013). The resulting structure maps for both the top (techo) and bottom (muro) of salt (Figure 4) were developed by CGG in combination with the regional seismic, field maps, satellite imagery and drill hole data.

Figure 4 Seismic detected faults on top and bottom of salt



3.3.3 *Previous Mineral Resource Estimates*

In October 2013 Highfield released a maiden JORC 2004 inferred mineral resource at Javier-Vipasca of 163.2Mt of sylvinite at 10.9% K2O (17.3% KCl), which was completed by Agapito Associates, Inc. of the USA.

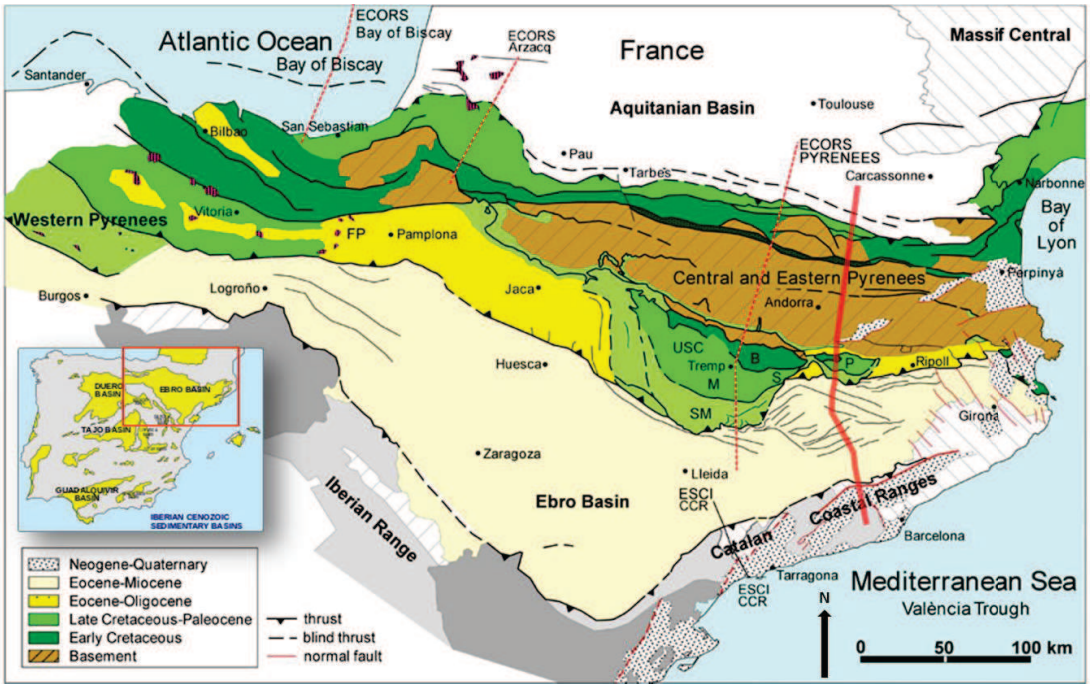
3.3.4 *Previous Production*

There has been no previous production from the Javier-Vipasca project.

3.4 Geological Setting

The potash deposits within the Spanish states of Navarra, Aragón and Catalonia occur within separate yet genetically-related potash sub-basins. These sub-basins are situated within a roughly east-west trending foreland basin, the Ebro Basin (Figure 5), which parallels the present day Ebro Valley (Rios, 1968).

Figure 5 Regional Geology of Northern Spain and the Ebro Basin



3.4.1 Regional Geology and Mineralisation

The Ebro foreland basin started forming ~65 million years ago, during the Palaeocene, as a result of the tectonic collision and subduction of the Iberian plate underneath the European plate. The basin became landlocked in the late Eocene (37 Ma) by the Pyrenees, the Catalan Coastal Ranges (CCR) and the Iberian Range, and was subsequently filled with alluvial, fluvial and lacustrine sediments. During the Miocene, the Catalan Coastal Ranges underwent a tectonic extension that opened the Western Mediterranean. Although the topographic barrier constituted by the CCR was significantly reduced, the Ebro Basin remained closed at least until late Miocene times, when the endorheic fluvial system opened through the present Ebro River to the Mediterranean initiating the formation of the delta (Garcia-Castellanos *et al.*, 2003).

Upon basin restriction, intense evaporation led to the accumulation of thick successions of marine evaporite sediments composed of marl, gypsum, halite, and potassium salts. Subsequent tectonism and salt deformation added complexity to the Ebro Basin evaporite geometry, eventually deforming the potash-bearing salt packages into broad anticlinal structures. These evaporite units were in turn overlain by a thick cover of Oligocene - Neogene basin-fill sediments (Garcia del Cura, ND).

Later-stage tectonism affected the Ebro Basin such that the Catalonia area (eastern extents of the basin) remained a relatively stable sub-basin, while the Navarra/Aragón district (western extents of the basin) became an allochthonous relict sub-basin transported by thrusting (Rios, 1968). The resulting basin architecture suggests that salt deformation was greater in the eastern portion of the basin, such that the potash seams were uplifted to shallow enough depths that they are presently exploited in areas situated near anticlinal axes in the Catalonia area (Garcia del Cura, ND).

Alternatively, in the west, the Navarra portion of these potash seams were historically exploited at the Navarra and Subiza Mines, which extracted ore from synclines between the salt antiforms as erosion has removed much of the salt package from the antiform cores (Rios, 1968).

3.4.2 Project Geology

The Navarra sub-basin includes the Javier and adjoining Pintano deposits. The Javier potash deposit contains a 100m-thick Upper Eocene succession of alternating claystone and evaporites (anhydrite, halite, and sylvite). The evaporites accumulated in the elongated basin at the southern foreland of the Pyrenean range (Busson and Schreiber, 1997). The evaporites overlie marine deposits and conclude in a transitional marine to non-marine environment with terrigenous influence. Open marine conditions existed in the Eocene-Oligocene epochs progressing to a more restricted environment dominated by evaporation and the deposition of marl, gypsum, halite and potassium minerals. Later, tectonism and resulting salt deformations formed broad anticlines, synclines and overturned beds, which created outcrops of the evaporite sequence. The possibility exists that basement-related faulting has resulted in repeated (or overturned) mineralised beds.

The stratigraphy of the potash-bearing evaporites of the Sierra del Perdón and Javier-Pintano areas is quite similar, and as such, can be described as having the following sequence, stratigraphically from bottom to top:

1. Deep basal marine marls representative of the lowest unit upon which the evaporate formations are present (Garcia del Cura, ND);
2. Laminated anhydrites, varying in thickness from 0.6 – 1.0 m (Garcia del Cura, ND);
3. A massive unit of thick, banded halite approximately 10m thick (internal summary document supplied to North Rim states that this unit can range from 40 – 50m thick in the Javier area and up to 130m in the Pintano area);
4. A sylvinitic bed averaging 2m in thickness formed of 18 thin sylvite beds (4 – 14cm), alternating with halite beds (2 – 12cm) and thin layers of clay within the halite (0 – 25cm) (Garrett, 1996). According to Garrett (1996), anhydrite and polyhalite are among the solids within the insoluble layers;
5. A thin halite layer lies on top of the sylvite package (0.7 – 1m thick), but sometimes is absent all together (Garrett, 1996);
6. An upper bed of thick carnallite, ranging from 10 – 12m thick and composed of eight thinner beds of carnallite that alternate with halite and thin clay layers (Garrett, 1996).

   According to an internal summary report, the Javier-Pintano area lacks this carnallitic unit;
7. An upper halite unit composed of sequences of red mudstones (dm to m scale) and halite layers (cm scale) that are highly varied in thickness (Garcia del Cura, ND); and
8. An upper marl and mudstone layer with local anhydrite layers. This interval is usually up to 50m in thickness.

This generalised stratigraphy is relatively similar to that of the Catalonia area, differentiated only by the thicknesses (Garcia del Cura, ND). Upper conglomerates are present within the Navarra area stratigraphy and have been noted to hold large amounts of fluid and act as potential aquifers. It should be noted that all drilling to date has not intersected any aquifers.

Two fault systems dominate and bound the basin, to the north by the extension of the thrusting Loiti Fault and to the south by the Magdalena Fault, both resulting in the out cropping of the evaporite units. The basin axis is defined by the Javier-Undues Syncline. To the east, the basin climbs to the Flexura de Ruesta, a northwest - southeast offset block contemporaneous with evaporite deformation that resulted in a higher saddle area between the Javier-Vipasca and Pintano sub-basins. Approximately vertical faults parallel to the west of the Flexura have been defined by two-dimensional (2D) seismic surveys (e.n. adaro, 1988-1991). Basin continuity to the west-northwest has not been well-defined by drilling programs or seismic surveys so far, but surface expression shows the evaporite outcrop as offset approximate to the Aragón River and trending northeast-southwest suggesting a smaller transverse block similar to the Flexura de Ruesta.

3.4.3 Controls on Mineralisation

In the Javier-Vipasca project area, the mineralogy is dominated by sylvinite, which is medium red orange and white, largely coarse crystalline in bands and in heavily brecciated bed containing high levels of insoluble material, largely fine-grained clays, anhydrite and marl. The upper potash beds transition to finely banded light brown marls and clays. The salts just below the potash tend to dark grey to black. In some lower beds, halite become brownish, sandy to coarsely granular sand and sandstone as sediment influx from the basin edges. In portions of the halite beds, sediment influx from the basin edges is seen as sandy to coarsely granular sands and sandstones. The lower salt is banded, exhibits very large cubic crystals and, in some cases, high angles and folding indicative of recrystallization and structural deformation. The literature denotes this salt as the *sal vieja* or *old salt* (Ortiz and Cabo, 1981). The evaporite beds and bands, in general, are separated by fine to very coarse crystallized and recrystallised salts, generally grey, sometimes light-to-medium honey brown or white, with anhydrite blebs, nodules, and clasts.

The Javier-Vipasca Measured and Indicated Mineral Resource estimate prepared by Agagpito Associates Inc. (2014), comprehensively documents the controls on mineralisation. Potash mineralisation occurs in five principal sylvinite beds (descending 0, A, B, 1 and 2) with ranging in depth from approximately 100m to more than 1,000m. From top to bottom, the main beds that can be correlated begin with potash *zero* or P0. P0 is newly defined with recent drilling programs (refer to Section 3.5.1) and is typically of a lower grade averaging less than 6% K_2O, where present. The bed designated as P0 is a transitional zone generally marked by low grade orange sylvinite and halite interbedded with light to medium grey and thinly bedded clay and marls exhibiting some cross-cutting veining and re-crystallisation near the top of salt. In drill hole J13-09, P0 is well developed with an approximate 2.7m true thickness (adjusted from apparent dip) averaging 11.7% K_2O, based on provisional bed correlations. P0 is of low grade in drill hole JP-4.

The main beds are PA and PB, which are generally the thickest, of highest grade, and most continuous across the basin. PA generally exhibits the highest degree of recrystallisation and brecciation, and is likely the geologic equivalent of the carnallite bed in the Sierra del Perdón basin to the northwest. PA and PB are typically separated by about one meter or less of halite and, consequently, are treated as a combined single bed (PAB) for correlation purposes. PAB is typically of 9 to 13% K_2O grade and has a thickness averaging about 3.6m true thickness, where present. Thicknesses in this report are generally reported as true thickness, corrected from measured thickness.

P1 and P2 are generally thinner and more discontinuous than the overlying beds. Grade is variable in both beds and may be as high as 19% (in one 0.5m intercept) but typically averages about 2m thick and 8.7% K_2O. P1 or P2 are usually more banded in appearance than PAB and appear to represent earlier potash deposition in a deeper part of the basin. P2 may exhibit a pink colour with decimated white anhydrite nodules and steep bedding.

The core in most holes exhibits sylvinite bands separated by minor beds and bands of orange salt, which, themselves are bound by larger salt-brecciated bands. High angle folding is occasionally evident in the core, suggesting variable steep structure and/or local deformation above the brecciated potash beds caused by secondary recrystallisation.

3.5 Exploration Results and Potential

A regional Transient Electromagnetic Sounding (TEM) geophysical program is planned to define the continuity of the salt package. Combined with data obtained from the drill holes by Vertical Electrical Soundings (VES), the program is intended to define the regional thickness and extent of the evaporite layer using resistivity.

RPS (formerly RPS Boyd Petrosearch) of Calgary, Alberta, Canada completed a re-interpretation in 2013 of the 2D historical seismic lines and profiles on behalf of Highfield.

The re-interpretation program was designed to review the overall accuracy of the historical data in terms of good correlation to drill hole data and geological intersections, as well as identify any sub-surface structures that may adversely affect the salt-bearing strata. A total of 16 lines were reviewed and were tied to wells with historical wireline data. The paper copies of the seismic profiles were digitised as the original tapes were unavailable. RPS interpreted that there is no indication of widespread salt removal due to faulting or dissolution. Deep structural features are noted across the project area, but only poor quality seismic data exist over these features.

3.5.1 Recent Exploration Activities

As of the 5th June 2014, Highfield reported that eleven drill holes of a sixteen hole program (J13-01 to J13-16) that commenced in August 2013, had been completed for 7,000m. The holes have not been drilled in numerical order with the remaining holes to be drilled being J13-04, J13-10, J13-11, J13-15 and J13-16.

The J13-08 drill hole is particularly significant having intersected a mineralised zone of over 7m at depths from surface of less than 250m. J13-08 is outside of the current JORC Measured and Indicated Mineral Resource area and close to 2km from the nearest historic drill hole (Figure 3).

Drill hole J13-01 was also successful in intersecting potash mineralisation of approximately 1m at a depth from surface of less than 300m. Both drill holes indicate potash mineralisation extends into the southeastern section of the Project area. Assays are currently pending. Drill hole J13-01 intersected bed P0 and what is interpreted as the PAB bed. P0 and PAB show considerable thinning at approximately 0.1m and 1.0m thickness, respectively, suggesting a local depositional high.

In drill hole J13-08, bed P0 is present over a 2.1m interval interbedded with characteristic light coloured and thinly laminated beds of clays and marls. The bed is separated from the underlying PAB bed by 1.4m of sediment. PAB shows typical dark brecciated mineralisation with minor banding over an interval of approximately 7.8m. Assay results to confirm thickness and grade are pending. J13-08 lies close to the northern basin edge, but a well-developed thickness of PAB suggests the area was a depositional low.

J13-07 intersected 4.5m of potash mineralisation starting at a depth to surface of 282m and is located in the Muga permit area (Figure 3) approximately 1.5km from any modern or historical drill holes. This drill hole indicates potash mineralisation extends into the southeastern section of the Project area.

In J13-03, a sandy bed within the lower salt bed suggests sediment influx from the basin edge. J13-03 is approximately on strike with J13-02, although J13-03 is deeper into the basin. In J13-02, the salt package is thin and the entire potash sequence is missing. Correlation suggests that the potash sequence was not deposited in J13-02, indicative of the northern edge of the potash mineralisation.

J13-12, shows good geologic agreement with the nearby historic holes at La Vistana and JP 3-D. P0 shows weak mineralisation but PAB shows 12% K_2O grade of composited K_2O in a 4.3m thickness, P1 is 17.5% K_2O with a 0.6m thickness and P2 contains very low grades. This compares to La Vistana PAB at 11.1% K_2O and 4.6m thickness, P1 is 12.1% grade of K_2O at 1.7-m thickness, P2 shows 10.4% K_2O and 2m thickness. Nogueras shows no P0, weak P1, and no P2. The PAB bed has a grade 13.1% K_2O and a thickness of 4.1m.

J13-14 is interpreted as being on a basin high, similar to the Undues de Lerda hole, and exhibits the overthrusting and absence of salt that defines the southern edge of the Javier-Vipasca basin near the Magdalena Anticline.

In J13-05, there is under-gauge and etched core at the top of P1 (767m depth), the result of solutioning from undersaturated drilling mud, likely reducing the assayed mineralisation which may have been highly soluble carnallite. J13-13 shows evidence of subaerial exposure at the base of P0 at 468m depth.

J13-07 was completed in the central western part of the basin and intersected potash estimated to be 4.5m thick at 282m depth. Assay work, downhole geophysical review, and correlations are pending. J13-01 is currently being drilled due north and slightly west of J13-07 and southeast of Nogueras. Both holes are testing for mineralisation continuity to the east.

3.5.2 Exploration Potential

Additional lower beds may exist, as suggested in the logs from drill holes JP09 and JP13-13, but there is insufficient information to confirm whether these are new beds or repeated beds in the lower salt layers. Potash (and salts) are plastic and mobilise with faulting, folding, and recrystallisation processes. In some cases, faulting is basement derived and can produce faulted or thrusted beds which attenuate up sequence in the salt beds. Additional drilling will help to determine the nature of these beds. Recent drilling, described above, indicates potash mineralisation extends into the southeastern section of the Project area.

3.5.3 Constraints to Further Exploration Success

Ravensgate can see no apparent or easily identifiable major risks to the project in terms of accessibility, local resources, climate, infrastructure and physiography. However, the following considerations should be taken into account when dealing with potash deposits, described below by Mayes (2012) from North Rim Exploration Ltd (North Rim) – a Canadian consulting firm with expertise in potash.

3.5.3.1 Disturbances affecting geology of the potash-bearing members

A disturbance that affects the normal characteristics of a potash-bearing salt horizon is considered to be an *anomaly* and thereby represents an area which is generally not suitable for mining. Salt anomalies can substantially reduce the thickness and grade of the potash mineralised zone resulting in ore of undesirable composition being processed. Salt anomalies also can indicate proximity to collapse structures (Warren, 2006) which, if water-bearing, may be disastrous to a potash mine.

A *Leach anomaly* describes a post-depositional situation where the sylvinite bed has been replaced by a halite mass through introduction of diagenetic sodium-saturated brine. Such anomalies are colloquially referred to as *salt horses*, a corruption of the term *salt horst* by miners. The potash beds within leach anomalies are often thinner than their unaltered equivalents (Warren, 2006), although stratigraphic boundaries are commonly preserved (Halabura and Hardy, 2007).

A *washout anomaly* occurs where the sylvinite bed has been replaced or altered to a halite mass that consists of medium to large (0.5 to 1.0cm) euhedral to subhedral halite crystals within a groundmass of smaller intermixed halite and clay insolubles. Clay intraclasts up to 1cm long may be present, typically with a concentration of clay at the top and base of the altered zone. This type of disturbance is interpreted to be penecontemporaneous (i.e. occurring at the same time as deposition of the primary sylvinite, or shortly thereafter) and are thus local in nature.

The third type of anomaly is a *dissolution and collapse anomaly* formed where the evaporate formation has been removed by dissolution of salt and the resulting void is in-filled by material caved from above. This type of disturbance may be local (i.e. less than a square kilometre) or it may be regional (i.e. extending over a number of square kilometres) and may affect the entire thickness of the evaporite formation.

Within the Project Area other disturbances have most likely affected the potash-bearing members including faulting and other structural disturbances. The extent and severity of the faulting could be identified through cross-section development, modelling and seismic interpretation.

An important aspect of estimating the potash potential of an area is to identify portions of the ground that may contain disturbances which affect the potash-bearing strata. Generally, a combination of surface reflection seismic studies, both 2D and 3D, and careful examination

of surface drill holes, underground (*in-seam*) geophysics, and geological observations of mining rooms is sufficient to identify potentially anomalous ground. The identification and delineation of deleterious anomalies must be taken into consideration during the exploration, mine planning and development phases of any potash project.

3.5.3.2 Other considerations

As with other potash deposits and early phase potash exploration programs, three geology-related factors need to be considered when evaluating a potential resource:

- Continuity of Potash;
- Quantity of Potash; and
- Quality of Potash.

Items such as high insoluble or high carnallite content are often considered for a sylvinite target potash project as part of Quality of Potash (reduced sylvinite grade).

The potash deposit may also be affected by geological phenomena that can have deleterious effects. These include, but are not limited to:

- Depositional limitations and local palaeotopography;
- Salt flow, salt doming;
- Post depositional tectonic structures and magmatic disruption;
- Absence of material due to erosion; and
- Leach, washout, and salt collapse anomalies.

The seismic data currently available for the project area has not been evaluated or reinterpreted at this point, therefore the possibility of the above mentioned anomalies still exists in the area. Further work such as regional 2D and possibly 3D seismic investigations, may help identify subsurface structures, anomalies, and potential potash sub-basins in other portions of the project area. These risks could be mitigated through the geological evaluation of available geological strip logs, geophysical wireline and assay data. Risks could also be mitigated by further understanding the experiences of the former mine with occurrences of anomalies, either through interviews with former employees or through still missing mine records. This is discussed in more detail within the report.

The Eocene stratigraphy of the Ebro Basin and the local processes affecting evaporate formation, potash precipitation, preservation, diagenesis and dissolution are topics of both historical and on-going research by numerous industry, academic, and government bodies. Detailed stratigraphic and structural correlations are beyond the scope of this report, but should be considered for follow up work to better understand the project area.

Potash deposits can be described as being of either *simple* or *complex* mineralogical character. In general, a *simple* potash deposit is considered to be any deposit characterised by sylvinite dominated ore with variable concentrations of impurities including halite, carnallite ($KMgCl_3 \cdot 6H_2O$), and insolubles. The potash deposits underlying the plains of Saskatchewan, Canada can also be considered a mineralogically *simple* potash deposit.

Deposits with ores bearing mixtures of various bittern potash salts and other exotic contaminant species are considered to be of a *complex* nature. The potash deposits mined at Carlsbad, New Mexico contain sylvite dominated ores with minor langbeinite ($2MgSO_4 \cdot K_2SO_4$), polyhalite ($2CaSO_4 \cdot MgSO_4 \cdot K2SO_4 \cdot 2H_2O$) and variable proportions of insoluble contaminants, and can therefore be considered an example of a *complex* deposit. A summary of the various potash minerals and ores (after Warren, 2006) is shown in Appendix One.

North Rim describe the potash deposits underlying Highfield's project area as being characterised potentially by a predominantly *simple* deposit mineralogy dominated by various potash salts, predominantly halite and carnallite, with accessory insoluble such as clays, muds, anhydrite and potentially polyhalite.

3.6 Mineral Resources

Highfield have reported a JORC Resource at the Javier-Vipasca Potash Projects, which was completed by Agapito Associates Inc. (AAI) of the USA.

At the Javier Project a Measured Resource of 17.4 Mt at 11.3% K_2O (17.9% KCl), an Indicated Resource of 139.9Mt @ 11.3% K_2O (18.0% KCl) and an Inferred Resource of 113.3 Mt at 11.1% K_2O (17.6% KCl) was reported in May 2014 using JORC Code 2012 Guidelines (Table 5). A high grade subset of this estimate targeting only the higher grade sections of the two major potash beds PAB and P2 was also reported and used in Highfield's Pre-Feasibility Study also released in May 2014 (Table 6). This high grade estimate comprises a Measured Resource of 9.2 Mt at 13.0% K_2O (20.7% KCl), an Indicated Resource of 74.2M @ 13.4% K_2O (21.2% KCl) and an Inferred Resource of 83.3 Mt at 13.3% K_2O (21.1% KCl).

Ravensgate has reviewed the publically available data for the Javier-Vipasco resource which is summarised in the following sections. The source digital data and block model were not reviewed due to the time constraints in preparing the report. The resource estimates are generally quite well documented and Ravensgate is of the opinion that there is enough public information on which to review the resources for the purposes of applying appropriate valuation ranges.

Table 5 Javier-Vipasca JORC (2012) Mineral Resource (after Highfield, May 2014)

Potash Bed	Sylvinite Tonnes In-Place	K_2O (wt %)	KCl (wt %)	$MgCl_2$ (wt %)	Insolubles (wt %)
MEASURED					
P0	2.2	9.7	15.4	1.7	22.2
PAB	9.1	11.7	18.5	0.6	14.0
P1	1.3	9.9	15.7	0.4	13.9
P2	4.8	11.8	18.7	0.5	8.1
TOTAL MEASURED	**17.4**	**11.3**	**17.9**	**0.71**	**13.4**
INDICATED					
P0	9.6	9.3	14.8	1.60	22.9
PAB	80.6	11.6	18.4	0.69	16.2
P1	16.0	9.5	15.0	0.40	13.3
P2	33.6	12.2	19.4	0.44	8.3
TOTAL INDICATED	**139.9**	**11.3**	**18.0**	**0.66**	**14.4**
TOTAL MEASURED & INDICATED					
P0	11.9	9.4	14.9	1.62	22.7
PAB	89.7	11.6	18.4	0.68	16.0
P1	17.3	9.5	15.1	0.40	13.4
P2	38.3	12.2	19.3	0.44	8.3
TOTAL M&I	**157.3**	**11.3**	**18.0**	**0.66**	**14.3**
INFERRED					
P0	5.1	9.1	14.4	1.70	22.4
PAB	65.1	11.4	18.1	0.73	16.8
P1	3.4	9.3	14.7	0.38	12.5
P2	37.6	11.0	17.4	0.42	8.2
TOTAL INFERRED	**111.3**	**11.1**	**17.6**	**0.66**	**14.0**

Notes:

Sylvinite is a mechanical mixture of sylvite (KCl) and halite (NaCl). Resource tonnes also include fractional impurities, principally $MgCl_2$ and insolubles. Average bulk density of sylvinite 2.1 tonnes/m^3.

The resource estimate does not include any out-of-bed dilution.

Resource cut offs: (a) true thickness ≥ 1.5m: grade cutoff ≥ 8.0% K_2O, or (b) true thickness < 1.5m: grade-thickness cutoff ≥ 12.0% K_2O-m.

Resource reduced by 15.0% allowance for unknown geologic anomalies.

Measured Resource—sylvinite meeting cut off criteria located within 250m of a modern exploration core hole with assays, except where otherwise limited by geologic boundaries.

Indicated Resource—sylvinite meeting cut off criteria located between 250m and 1,000m of a modern exploration core hole with assays, except where otherwise limited by geologic boundaries.

Inferred Resource—sylvinite meeting cut off criteria located between 1,000m and 2,000m radius of a modern exploration core hole with assays or within 2,000m of an historical exploration core hole, except where otherwise limited by geologic boundaries.

See appendix for details regarding geology, exploration data, and estimation methodology.

Table 6 Javier-Vipasca JORC (2012) "High Grade" Mineral Resource (after Highfield, May 2014)

Potash Bed	Sylvinite Tonnes In-Place	K_2O (wt %)	KCl (wt %)	$MgCl_2$ (wt %)	Insolubles (wt %)
MEASURED					
PAB	5.2	13.0	20.7	0.5	12.5
P2	3.9	13.0	20.7	0.5	8.1
TOTAL MEASURED	**9.2**	**13.0**	**20.7**	**0.49**	**10.6**
INDICATED					
PAB	46.4	13.2	20.9	0.55	14.4
P2	27.8	13.6	21.7	0.44	8.3
TOTAL INDICATED	**74.2**	**13.4**	**21.2**	**0.51**	**12.1**
TOTAL MEASURED & INDICATED					
PAB	51.6	13.2	20.9	0.55	14.2
P2	31.7	13.6	21.5	0.45	8.2
TOTAL M&I	**83.3**	**13.3**	**21.1**	**0.51**	**11.9**
INFERRED					
PAB	39.1	12.5	19.8	0.60	15.3
P2	31.6	12.4	19.7	0.42	8.1
TOTAL INFERRED	**70.7**	**12.4**	**19.8**	**0.52**	**12.1**

Notes:

Sylvinite is a mechanical mixture of sylvite (KCl) and halite (NaCl). Resource tonnes also include fractional impurities, principally $MgCl_2$ and insolubles.
Average bulk density of sylvinite 2.1 tonnes/m^3.
The resource estimate does not include any out-of-bed dilution.
Resource cut offs: (a) true thickness ≥ 1.5m: grade cutoff ≥ 8.0% K_2O, or (b) true thickness < 1.5m: grade-thickness cutoff ≥ 12.0% K_2O-m.
Resource reduced by 15.0% allowance for unknown geologic anomalies.
Measured Resource—sylvinite meeting cut off criteria located within 250m of a modern exploration core hole with assays, except where otherwise limited by geologic boundaries.
Indicated Resource—sylvinite meeting cut off criteria located between 250m and 1,000m of a modern exploration core hole with assays, except where otherwise limited by geologic boundaries.
Inferred Resource—sylvinite meeting cut off criteria located between 1,000m and 2,000m radius of a modern exploration core hole with assays or within 2,000m of an historical exploration core hole, except where otherwise limited by geologic boundaries.

3.6.1 Drilling and Sampling Methods

A total of 19 drill holes were used in the Resource Estimate; 11 historical holes drilled by E.N Adaro (Spanish State-owned group) from 1980 to 1991; and eight holes drilled by Geoalcali S.L. in 2013-2014.

Drill holes have typically been open hole drill holes in the upper parts and cored either with PQ or HQ through the mineralised salt horizons. Several holes were cored from surface. Of note is that drilling methodology for six of the historic holes which were drilled prior to 1987 is unknown.

The historic drilling is noted by AAI to be generally well documented, with holes having been geologically logged. Sampling was typically on <30cm interval (comparable with modern Potash sampling methodologies) although the six holes drilled prior to 1987 used much larger sampling intervals (up to 2.44m). No core recovery was available for the historic holes, but sample intervals appear largely intact suggesting reasonable recoveries.

Modern drilling completed by Geoalcali S.L. was drilled by either coring from surface or where open hole drilled in the upper sections and cored through the salt horizons. Core has either PQ diameter or HQ depending on drilling conditions. Holes were sampled in 30cm intervals with quarter core sent for analysis. Appropriate industry standard drilling and sampling procedures appear to have been adopted.

3.6.2 Drill Hole Collar & Downhole Survey

Approximately half of the historic holes drilled have been re-located and re-surveyed. The remainder of the hole locations are based upon historic drilling location maps. All modern drill holes (2013-14) were set out and picked up after drilling by a licensed surveyor. The historic holes are assumed to be vertical in the absence of any hole deviation data. Several of the recent drill holes have deviation data.

3.6.3 Sampling, Assaying Data Handling and QA/QC

Sampling of drill core is typically on <30cm intervals for the historic drilling holes drilled from 1988-1991 and the recent drill holes drilled in 2013-2014. Six holes drilled prior to 1987 used much larger sampling intervals (up to 2.44 m).

No core recovery data is available for historic drilling, but assay results suggest reasonable recoveries as assay data intervals are largely complete over the sampled intervals. The modern drill holes have recoveries typically greater than 95%, although some dissolution of cored material is noted due to under saturated drilling brine mud. It is unclear if this has a positive or negative effect on overall mineralisation assay grades.

Original assay data was not available for holes drilled prior to 1987 (six holes). Assays from these holes are from historic reports and it appears that holes were only assayed for KCl, meaning that $MgCl_2$, insoluble and carnallite content can't be quantified in these holes. These holes were resampled and assayed by North Rim on behalf of Highfield. Samples were assayed at SRC Laboratories in Canada. Parts of the original core holes were found to be missing and only three of these holes were re-sampled. Correlations plots between the historic assays and their modern equivalents shows that the historic holes are typically higher grade (average difference of 3.68% KCl). This was thought to reflect differences in sampling methodology rather than any underlying issues with analytical techniques.

Holes drilled from 1988 to 1991 have an original geochemical result including KCl, $MgCl_2$, NaCl, insolubles and clay. These were assayed at the Potasas de Subiza S.A. (POSUSA) laboratory in Spain. Geophysical logs run by Schlumberger on the historical holes have estimates of K_2O from natural gamma/and or spectral gamma logs which are noted to compare favourably with the assayed values.

Drilling completed during 2013-2014 was assayed at ALS Laboratories in Galway, Ireland using inductivity couple plasma optical emission spectrometry (ICP-OES) and X-Ray fluorescence (XRF). The ICP assays were used in the resource estimate.

Highfield submitted a blank, one standard reference material and one duplicate per 20 samples to monitor laboratory performance. Highfield used its own manufactured low, medium and high grade standard reference material. AAI note that there were insufficient samples and not enough round-robin assaying of this material to draw conclusions on the accuracy and precision of the material. Duplicates were concluded to show good agreement.

ALS utilised their own internal laboratory standards and two commercial standards. Check samples of the ALS data were tested at SRC. It is noted that SRC generally reports lower than the ALS reports, which is suggested to be related to a calibration issue. The tenor of this difference is not documented.

3.6.4 Geological Data Acquisition and Database Generation

The drilling spreadsheet database was built from historic and modern drilling data. This was crosschecked against hard copy data to ensure integrity. Drilling data was loaded into MineSight® and assayed intervals visually compared to the database for accuracy.

Bulk density was based on testing of sylvinite core by Geoalcali S.L. and North Rim Exploration and also historic work by Adaro. An in situ dry bulk density of 2.1 was used. The methodology for obtaining the bulk density is not documented. It was noted that carnallite occurrences were infrequent in core and thus no density adjustment was applied were it was present.

3.6.5 Geological and Mineralisation Domain Interpretation and Continuity

The Mineral Resource was estimated using a computer 3D gridded-seam geologic (block) model constructed with Mintec Inc. MineSight 3D© v9.0 software.

The model was constructed using data from historic and modern drill-hole logs and assays, historic and modern interpretations of 2D seismic surveys, historic resource analysis, and geological surface mapping.

Five main potash beds were been identified and modelled:

- Potash 0 – generally lower grade interbedded sylvinite/halite which is typically less that 6% K_2O where present;
- Potash A and Potash B – these are the main beds, are the thickest, of highest grade and most continuous. The two beds are typically separated by less than 1m of halite so were modelled together. Grades typically range from 9 to 13% K_2O and have an average thickness of 3.6m;
- P1 and P2 – these are generally thinner and more discontinuous than the overlying beds and are more variable in grade

The potash resource was restricted to 200m down-dip from the surface outcrop to account for evaporite dissolution at surface. The Resource is bound by the north limb of the plunging Magdalena anticline, against which the evaporite is believed to terminate abruptly. The resource estimate ranges in depth from 100 to 1,200m below surface.

Individual potash beds were composited based on the length-weighted averages of the individual assays over a continuous bed thickness. As the upper/lower contacts are typically gradational contacts they were selected to maximise thickness while maintaining a composite grade as close as possible to 12.0% K_2O with a true thickness equal to greater than 1.5m. Depending upon the vertical grade distribution, bed thicknesses less than 1.5m and composite grades less than 8.0% K_2O were modelled in some instances for continuity.

The structural dip was calculated from the base-of-salt surface constructed from seismic, outcrop, and drill hole data. AAI note that drill hole and seismic data indicated reasonable bed continuity across the property. However it was noted that variation in potash thickness, grade, and mineralogy are likely between control points. AAI further note that faults, folds, and other structural disturbances can sterilise parts of the resource locally and sylvinite mineralogy can be affected by varying depositional environments or structure, including depositional highs, syngenetic faulting, basement carbonate mounds, algal reefs, post-depositional gypsum dewatering and groundwater dissolution along faults. The resource tonnage was depleted by 15% to allow for this geological uncertainty.

3.6.6 Sample Geostatistics and Variography

AAI reports that they have used length weighted composites of bed thickness for variography and modelling. Semi variogram models of potash bed thickness and K_2O grades show along strike ranges in the order of 1,800 to 2,000m with low nugget/sill ratios for the main PAB bed.

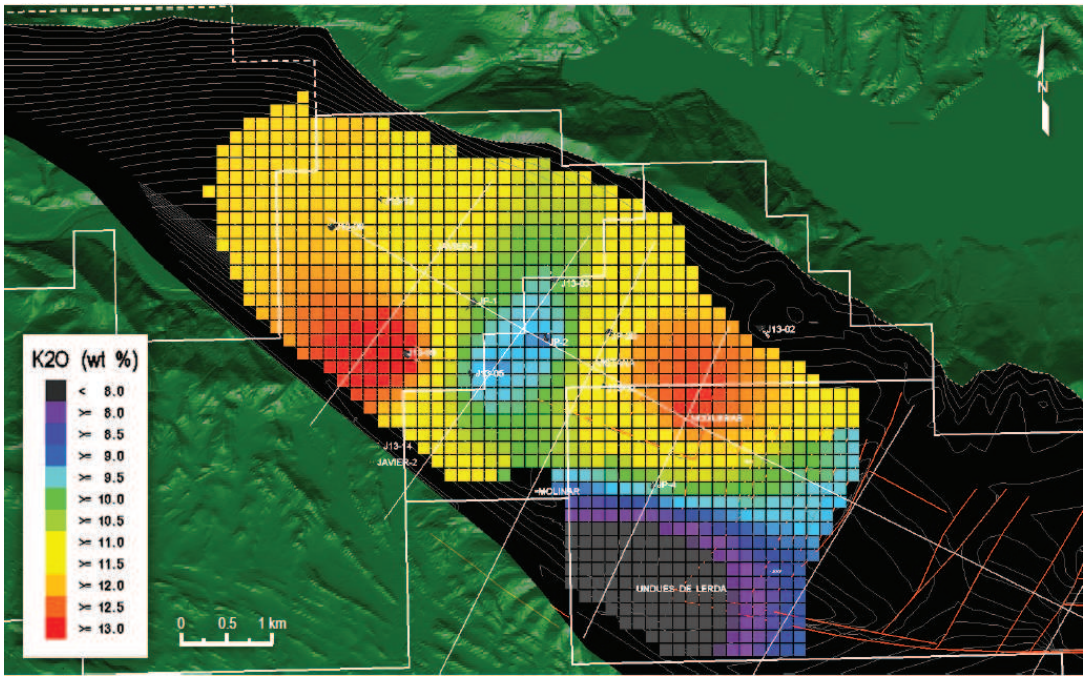
No assay or composite outliers where identified in the data so no cutting of assay data was applied to the assay data set.

3.6.7 Resource Modelling and Resource Estimation Methods

A gridded seam block model was used to estimate resources (Figure 6). The various potash beds were gridded into 150m square blocks. Block true thicknesses and grade parameters

(K_2O, $MgCl_2$ and insolubles content) were interpolated/extrapolated utilising ordinary kriging. Kriging parameters were based on variogram models for the various items interpolated. Block estimation was limited to an isotropic search radius of 6,000m and the five closest data points (drill holes).

Figure 6 Javier-Vipasca Resource – PAB Potash bed block modelled K_2O grade distribution



3.6.8 Resource Model Validation and Reconciliation

The ordinary kriged model was cross checked against an inverse distance squared estimate. This estimate was within 5% (less) of the kriged model tonnage and grades were noted to be comparable.

The project has no historic mining so there was no reconciliation of estimates against historic production.

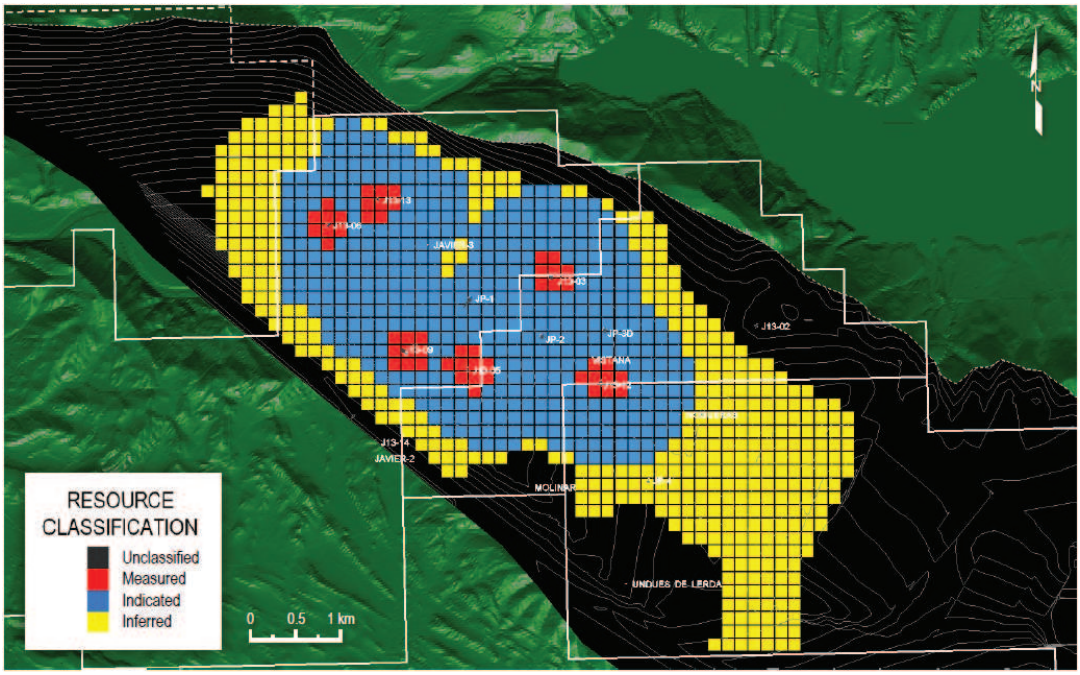
3.6.9 Resource Classification

A radii-of-influence (ROI) approach has been used for the Mineral Resource classification which is interpreted by AAI to reflect the degree of predictability (or conversely, variability) within the deposit. Resource classifications (Figure 7) for the deposit are stated as follows:

- Measured Resource—sylvinite meeting cut off criteria located within 250m of a modern exploration core hole with assays, except where otherwise limited by geologic boundaries.
- Indicated Resource—sylvinite meeting cut off criteria located between 250m and 1,000m of a modern exploration core hole with assays, except where otherwise limited by geologic boundaries.
- Inferred Resource—sylvinite meeting cut off criteria located between 1,000m and 2,000m radius of a modern exploration core hole with assays or within 2,000m of an historical exploration core hole, except where otherwise limited by geologic boundaries

In addition to the above the resource estimate was classified as Inferred within 200m and 400m of outcrop due to uncertainty regarding the limit of the dissolution front. The Mineral Resource is also constrained to Inferred within 300m of the Magdalena anticline to account for uncertainty regarding potash deposition against the anticline and structural disturbance of the evaporite.

Figure 7 Javier-Vipasca Resource – PAB Potash bed block model JORC (2012) Resource Classification



3.6.10 Resource Estimation Risk Analysis

Aside from fluctuating commodity prices the main risk to the Javier-Vipasca resource is geological. AAI has identified a number of geological risks including:

- The potash beds vary in grade and thickness and can be discontinuous;
- Geophysical logs are incomplete or absent in some holes making current correlations between potash beds preliminary.

They also note that although drilling and seismic data indicates reasonable continuity across the basin, variations in potash grade, thickness and mineralogy are likely. This may be caused by:

- Faults, folds and other structural features may locally sterilise resources;
- Sylvinite mineralogy may be affected features such as sygenetic faulting, basement carbonate mounds, algal reefs, post-depositional gypsum dewatering and groundwater dissolution along fault conduits.

Based on the above AAI have reduced the resource tonnage by 15% to allow for geological uncertainty for the Javier-Vipasca.

These geological risks are reflected to a degree in the JORC Resource Classifications that have been applied to the various parts of Javier-Vipasca resources. AAI have used a “Radius of Influence” (ROI) approach in classifying the resource which is a commonly used methodology in the Potash Industry. However, Ravensgate has some concerns that the ROI approach for

resource classification used in this instance may overstate the implied understanding of continuity of grade and geology with respect to the JORC Code (2012) Guidelines. In particular, resource blocks are classified as Measured if they are within 250 metres of modern drill hole. This has resulted in a *spotted dog* pattern of Measured Resource category blocks within 250m of a modern drill hole, surrounded by blocks of Indicated/Inferred classification (Figure 7). This is not generally an acceptable approach to JORC classification as it doesn't demonstrate continuity of grade appropriate to the Measured category (Figure 7). In addition the support for the distance criteria used for the ROI classification are not documented. These would benefit from geological support to underpin the criteria used in the ROI classification (for example ranges from variograms, quality of estimate criteria etc.). On the above basis Ravensgate is concerned that that the resource categories applied (particularly the Measured category) may be understating the various geological and other risks that pertain to the estimate in those areas.

Ravensgate notes that the Javier-Vipasca holes vary from 700 to 1,200m apart have been estimated based on relatively widely spaced drilling.

AAI have identified some issues with assaying of the historic core drill core. Re-sampling and assaying of several historic holes at Javier-Vipasca has identified that the historic assays are on average several percent higher in K_2O than the modern check assays. Further work is needed on this.

AAI also note that check samples of the ALS data were tested at SRC and these generally report lower than the ALS reports, which is suggested to be related to a calibration issue. The tenor of this difference is not documented. This issue needs to be resolved.

3.6.11 Conclusions

The Javier-Vipasca resources have been defined by moderate amounts of drilling. The drilling data in conjunction with geophysical data sets however, has allowed the delineation of reasonably well-defined, potash beds of varying size or thickness with apparently relatively predicable K_2O grades and mineralogy.

Appropriate industry standard drilling, sampling, assaying and QA/QC procedures have been adopted for modern core drilling. Adequate validation done of historic drilling data and uncertainties in assaying and data quality have been treated appropriately by applying lower confidence classifications (i.e. Inferred Resources). Some validation work on historic and modern assaying techniques is needed.

Ravensgate's opinion is that this overall resource reporting outcome is reasonable and the associated application of modifying factors for this purpose and the risk and assessment is reasonable for this set of resource models and resource estimations. AAI have used a "Radius of Influence" (ROI) approach in classifying the resource which is a commonly used methodology in the Potash Industry. Ravensgate cautions that the ROI approach used in this instance may be overstating implied confidence in grade continuity (particularly for the Measured Category), and recommends review of the JORC Resource Classification criteria used in reporting this resource and providing better supporting evidence for classification criteria.

As is noted by AAI that the deposit is likely to contain localised, but as yet unresolved, structural/geochemical complexities. Additional drilling and refinement of the local geological understanding is necessary to define resources that can be classified at higher resource confidence levels (i.e. Indicated and Measured Resources) for future economic assessment of the project. Small scale structures (for example small fault offsets, varying bedding dip, folding) can have significant impacts on mining methods such as underground room and pillar.

3.6.12 Recommendations

The Javier-Vipasca Project contains significant potash resources at economic tenor that warrant further economic evaluation and study.

Additional drilling is needed to improve drilling coverage and confirm/demonstrate grade and potash bed continuity and allow classification of resources to appropriate resource categories. Additional seismic and geophysical data will also assist in refining geological interpretations.

Ravensgate recommends reviewing the Radius of Influence (ROI) approach for JORC Resource classification at the projects. Further geological support is needed to underpin the criteria used in the ROI classification (e.g. ranges from variograms, quality of estimate criteria etc.). Study of historically mined Spanish potash deposits also assist in refining these criteria.

Ravensgate suggests investigating other modelling approaches in future model updates. It may be of benefit to construct wireframed models of potash beds and use a conventional block model to mitigate composite weighting issues that may inadvertently arise from a gridded seam block model.

3.7 Mining Studies

Details of desk top mining studies for the Javier-Vipasca project are documented in the recent Pre-Feasibility Study (PFS), carried out by Spanish company SADIM, in May 2014. AAI prepared a resource estimate targeting only high grade composites within beds PAB and P2 for evaluation as a potential mining (production) target, in addition to the resource dated 14 May 2014. AAI was not engaged by Highfield at this stage to evaluate the minability of the resource. Detailed engineering and mine planning are necessary to determine which areas of the resource are suitable as a mining target for the type of high-productivity, mechanised mining intended by the Highfield. Minability and estimation of the mining target is addressed by work completed by Highfield and its Spanish based mine engineering consultants SADIM.

From a mineral extraction perspective the PFS suggests an underground conventional mine accessed via a straight line decline into a room and pillar operation. There is minimal carnallite in the evaporite posing no difficulties for conventional underground mining or simple sylvinite flotation circuit processing.

The preliminary high-level economic analysis supporting reasonable prospects for eventual economic extraction of the Mineral Resource assumes processing with conventional crushing and flotation, producing K60 muriate of potash (MOP or KCl). 50% of this MOP will be compacted into a granular product and 50% will be a standard product.

Flotation was used successfully to process similar sylvinite mineralisation at POSUSA/Adaro's Navarra and Subiza potash mines at Sierra del Perdón from the 1970's through 1990's.

Preliminary flotation testing conducted by Geoalcali S.L. on sylvinite core from Javier supports KCl recoveries in excess of 80%, similar to the historical Navarra and Subiza potash mines and sufficient to justify reasonable prospects for eventual economic extraction.

Preliminary metallurgical test work has been completed by the University of Barcelona who are experienced in metallurgical test work for potash processing. It appears the ore is advantaged by having low levels of carnallite, relatively coarse ore and low levels of incursions into the KCl grains (the fines are lower than that found in other potash basins). The ore is disadvantaged by having relatively high levels of insolubles. The recovery rate of 84.6% has been estimated by Canadian based processing engineering consultant EngComp. Engcomp has substantial experience in potash processing.

Mining is challenged by dipping beds as the evaporite extends into the North Western area of the current Resource delineation. Further work on the optimum mining methodology for these areas will be considered in the DFS. Importantly, the early years of mining assumed in the PFS target areas where dips are not as extreme as later years.

4. PINTANO POTASH PROJECT, SPAIN

4.1 Introduction

The Pintano Project is southeast of Javier-Vipasca. The depth to surface mineralisation at Pintano is marginally deeper (~500m) than at Javier-Vipasca, however the deposit appears to have stronger sylvinite mineralisation with significant exploration areas open to the east.

4.1.1 Project Location

The project area is located in the Navarra sub-basin within the Ebro Basin, ~450km northeast of Madrid and ~35km to the southeast from Pamplona (Figure 1). The Pintano Project is immediately southeast of Javier-Vipasca.

4.1.2 Access

Refer to section 3.1.2.

4.1.3 Supporting Infrastructure

Refer to section 3.1.3.

4.1.4 Geopolitical Environment

Refer to section 3.1.4.

4.2 Ownership and Tenure

The Pintano Project comprises three permits covering an area of 125.7km². Molineras 10 is a PI, Molineras 20 is a PE in the process of being converted to a PI and Puntarrón is a PE. Puntarrón has expired from its exploration permit status however Highfield has lodged a PI application over a portion of the permit area and a PE application over the remaining area. The permit areas are shown below in Figure 8 with details shown in Table 7.

Figure 8 Pintano Project Tenement Locations

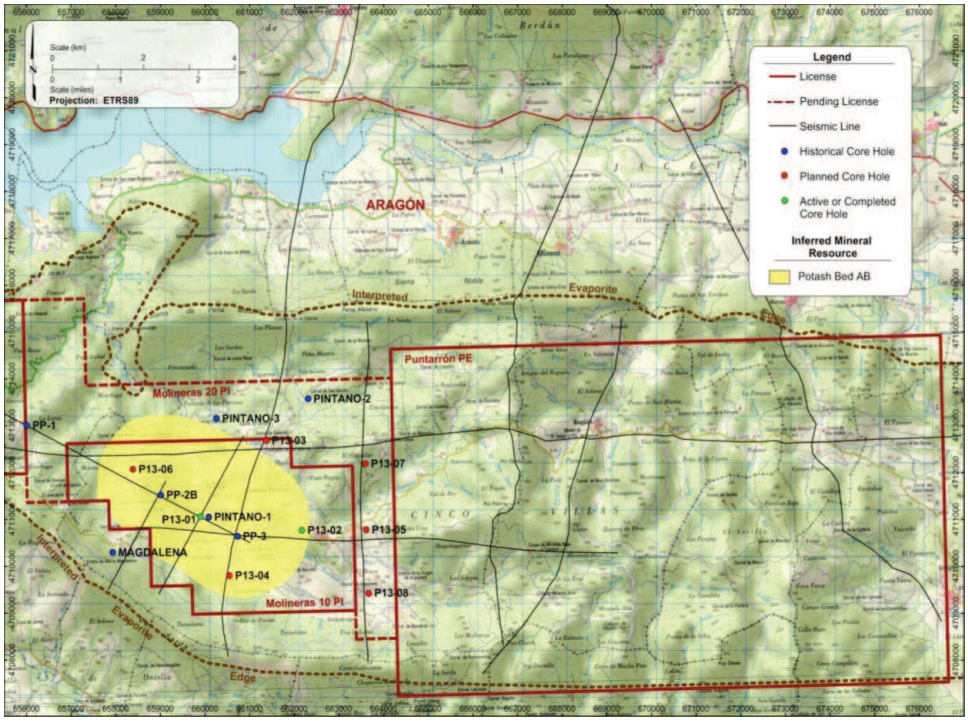


*Table 7 Pintano Project Tenement Details (*conversion application in progress)*					
Permit Name & Reference No.	**Permit Type**	**Area (km^2)**	**Grant Date**	**Expiry Date**	**Owner and Equity**
Puntarrón 3509	Exploration	90.7	27/05/2013	27/05/2014*	Geoalcali S.L. (100%)
Molineras 10 3495/10	Investigation	18.2	6/03/2014	6/03/2017	Geoalcali S.L. (100%)
Molineras 20 3495/20	Investigation	16.8	Application		Geoalcali S.L. (100%)

4.2.1 Project Ownership and Relevant Interests

Refer to section3.2.1.

4.2.2 Agreements

Refer to section 3.2.2.

4.2.3 Royalties and Taxes

Refer to section 3.2.3.

4.3 History

Refer to section 3.3.

4.3.1 Ownership History

Refer to section 3.3.1.

4.3.2 Exploration History

Seven drill holes and ten seismic profiles were completed in the late 1980's. Collar locations for the historic drill holes can be seen on Figure 8.

4.3.3 Previous Mineral Resource Estimates

There have been no previous mineral resource estimates for the Pintano project.

4.3.4 Previous Production

There has been no previous production for the Pintano project.

4.4 Geological Setting

Refer to section 3.4.

4.4.1 Regional Geology and Mineralisation

Refer to section 3.4.1.

4.4.2 Project Geology

Refer to section 3.4.2.

4.4.3 Controls on Mineralisation

Potash mineralisation on the Pintano property occurs in three principal sylvinite beds (A, B, and 1) ranging in depth from 500m to more than 2,000m. The property hosts the same potash beds as the Javier-Vipasca potash project adjoined to the west (refer to section 3.4.3).

4.5 Exploration Results and Potential

4.5.1 Recent Exploration Activities

An initial eight hole drilling campaign was designed to test information from seven historical drill holes and 10 reinterpreted seismic lines. The first drill hole, P13-01, was recently reported (June 2014) to have intersected lithologies and correlatable beds similar to those at Javier-Vipasca, including an 8.9m mineralised zone selected for assay. Additional intervals have been selected for assay. Depths of beds are from 620m to 652m, with total drill hole depth being 714m. Drill hole P13-02 commenced on 5 May 2014 with no further updates reported at the time of writing.

4.5.2 Exploration Potential

The mineralisation in the project area appears to be open towards the northeast, southeast, and south-southwest.

4.5.3 Constraints to Further Exploration Success

Refer to section 3.5.3.

4.6 Mineral Resources

Highfield have reported a JORC Resource at the Pintano Potash Project, which was completed by AAI.

At the Pintano Project an Inferred Resource of 187Mt at 11.2% K_2O (17.8% KCl) was reported in November 2013 using the JORC Code (2004) Guidelines (Table 8).

Ravensgate has reviewed the publically available data for the Pintano resource which is summarised in the following sections. Highfield also provided some further information on the estimate as it had been released using JORC 2004 Guidelines and some data was not publically reported. The source digital data and block model were not reviewed due to the time constraints in preparing the report. Ravensgate is of the opinion that there is enough public information on which to review the resources for the purposes of applying appropriate valuation ranges.

Table 8 Pintano JORC (2004) Mineral Resource (after Highfield, November 2013)

Potash Bed		Average Thickness (m)	Resource Area (ha)	In-Place Tonnes (millions)[1]	In-Place K_2O (wt %)	In-Place KCl (wt %)	Contained K_2O Tonnes (millions)	Contained KCl Tonnes (millions)
Inferred								
A–B[4]	Sylvinite	7.3	1,228	187	11.2	17.8	20.9	33.2

1 Average bulk density of sylvinite 2.1 tonnes/m^3.

2 Resource cutoffs: composite grade 8.0% K_2O and bed thickness 2.0 m.

3 Inferred Resource located within 1,500-m radius from an historical exploration core hole with assays.

4 Main potash intercept comprised of sylvinite Bed A, sylvinite Bed B, and lower grade sylvinite A-B interburden.

4.6.1 *Drilling and Sampling Methods*

A total of seven exploration holes were drilled during the 1980's to 1990 by Potasas de Subiza and E.N. Adaro. These holes were drilled at the same time as the historic holes drilled at Javier-Vipasca and used the same drilling and sampling methodologies as outlined in Section 3.6.1.

4.6.2 *Drill Hole Collar & Downhole Survey*

The Pintano holes have been re-located and surveyed. All drill holes included in the model were assumed vertical as no deviation surveys were available.

4.6.3 *Sampling, Assaying Data Handling and QA/QC*

Drilling at Pintano was completed at the same time as the historic holes drilled at Javier-Vipasca and used the same sampling and assaying methodologies as outlined above. No resampling/re assaying of Pintano core has been undertaken.

4.6.4 *Geological Data Acquisition and Database Generation*

The drilling spreadsheet database was built from historic and modern drilling data. This was crosschecked against hard copy data to ensure integrity. Drilling data was loaded into MineSight® and assayed intervals visually compared to the database for accuracy.

Tonnages are based on an average bulk density of 2.1 tonnes per cubic meter (t/m^3) derived from 2012 bulk density testing of historical sylvinite cores by North Rim Exploration Ltd and historical values published by E.N. Adaro de Investigaciones Mineras S.A. for the Javier and Pintano properties.

4.6.5 *Geological and Mineralisation Domain Interpretation and Continuity*

The Pintano Resource was estimated using a computer 3D gridded-seam geologic (block) model constructed with Mintec Inc. MineSight 3D© v7.9 software. The resource comprises a single, continuous mineralised interval containing the historically identified A sylvinite bed, the B sylvinite bed, and the lower grade sylvinite interval that lies between the two beds.

A minimum bed composite cut-off grade of 8.0% K_2O and a minimum bed thickness of 2m were used to develop the model estimate. Mineralised drill holes show that the A-B composite true thickness ranges from 6.9 to 9.7m with composite grades ranging from 10.9 to 11.5% K_2O.

The estimate ranges in depth from 400 to 1,200m below surface.

4.6.6 *Sample Geostatistics and Variography*

There is no publically available information on the sample geostatistics or variography undertaken. The estimate is based on a small data set.

4.6.7 *Resource Modelling and Resource Estimation Methods*

A gridded seam block model was used to estimate resources. Block true thicknesses and grade parameters (K_2O, $MgCl_2$ and insolubles content) were interpolated/extrapolated utilising inverse distance squared interpolation.

4.6.8 *Resource Model Validation and Reconciliation*

There is no publically available information on what resource model validation or if any reconciliations were undertaken.

4.6.9 *Resource Classification*

The Mineral Resource estimate is classified as Inferred because of reliance upon historical exploration data. AAI notes that historical data are sufficient to imply, but not verify, geological and grade continuity. A radius of influence (ROI) of 1,500m around core holes was used to define the Inferred Resource. This was further limited by the presence of lease

boundaries, barren holes, interpreted boundary faults and basin margins, and projected dissolutioning of the potash beds near outcrops.

4.6.10 Resource Estimation Risk Analysis

Aside from fluctuating commodity prices the main risk to the Pintano resource is geological. AAI has identified a number of geological risks including:

- The potash beds vary in grade and thickness and can be discontinuous;
- Geophysical logs are incomplete or absent in some holes making current correlations between potash beds preliminary.

They also note that although drilling and seismic data indicates reasonable continuity across the basin, variations in potash grade, thickness and mineralogy are likely. This may be caused by:

- Faults, folds and other structural features may locally sterilise resources;
- Sylvinite mineralogy may be affected features such as syngenetic faulting, basement carbonate mounds, algal reefs, post depositional gypsum dewatering and groundwater dissolution along fault conduits.

No depletion has been applied to the Pintano estimate.

These geological risks are reflected to a degree in the JORC Resource Classifications that have been applied to the Pintano resource (i.e. Inferred). Of note is that geologically, the rational for using a 1,500m ROI for the Inferred classification is unclear.

Ravensgate notes that the Pintano resource (holes 1km or greater apart) have been estimated based on relatively widely spaced drilling. The Pintano resource is based on eight holes, of which just three are mineralised and were used in the resource estimate. The Pintano resource is largely based on extrapolation outward from these holes which appear to be in the central part of the basin (Figure 8). It is unclear what thicknesses have been assumed for the extrapolated part of the model (i.e. does the mineralisation thin to the basin edges).

AAI have identified some issues with assaying of the historic core drill core. Re-sampling and assaying of several historic holes at Javier-Vipasca has identified that the historic assays are on average several percent higher in K_2O higher than the modern check assays. These holes were drilled at the same time as the historic drilling was completed on which the Pintano resource estimate, suggesting it may be an issue for this estimate as well. Further work is needed on this.

4.6.11 Conclusions

The Pintano resource has been defined by relatively sparse amounts of drilling. The drilling data in conjunction with geophysical data sets however, has allowed the delineation of reasonably well-defined, potash beds of varying size or thickness with apparently relatively predicable K_2O grades and mineralogy.

The estimate has been classified as an Inferred Resource due to uncertainties in the quality of historic drilling data and the wide drill spacing. The Pintano resource is largely based on extrapolation for 1,500m outward from three holes which appear to be in the central part of the basin (Figure 8). It is unclear if these holes are representative mineralisation widths.

Ravensgate's opinion is that this overall resource reporting outcome is reasonable and the associated application of modifying factors for this purpose and the risk and assessment is reasonable for this set of resource models and resource estimations. AAI have used a "Radius of Influence" (ROI) approach in classifying the resource which is a commonly used methodology in the Potash Industry. Ravensgate cautions that the Radius of Influence approach used may overstate implied confidence in grade continuity and recommends review of the JORC Resource Classification criteria used in reporting this resource and providing better supporting evidence for classification criteria.

As is noted by AAI the deposits are likely to contain localised but as yet unresolved structural/geochemical complexities. Additional drilling and refinement of the local geological understanding is necessary to define resources that can be classified at higher resource confidence levels (i.e. Indicated and Measured Resources) for future economic assessment of the project. Small scale structures (for example small fault offsets, varying bedding dip, folding) can have significant impacts on mining methods such as underground room and pillar.

4.6.12 Recommendations

The Pintano Project contains significant potash resources at economic tenor that warrant further economic evaluation and study.

Additional drilling is needed to improve drilling coverage and confirm/demonstrate grade and potash bed continuity and allow classification of resources to appropriate resource categories. Additional seismic and geophysical data will also assist in refining geological interpretations.

Ravensgate recommends reviewing the Radius of Influence (ROI) approach for JORC Resource classification at the projects. Further geological support is needed to underpin the criteria used in the ROI classification (for example ranges from variograms, quality of estimate criteria etc.). Study of historically mined Spanish potash deposits also assist in refining these criteria.

Ravensgate suggests investigating other modelling approach's in future model updates. It may be of benefit to construct wireframed models of potash beds and use a conventional block model to mitigate composite weighting issues that may inadvertently arise from a gridded seam model.

4.7 Mining Studies

The Pintano property hosts the same potash beds as the Javier-Vipasca project adjoined to the west. No mining studies have been carried out on Pintano, given the Inferred status of the November 2013 resource estimate, however, should the project progress to the status of Javier-Vipasca, it could be assumed that the processes and methods described in section 3.7 would be valid for a similar mining scenario at Pintano.

5. SIERRA DEL PERDÓN POTASH PROJECT, SPAIN

5.1 Introduction

The Sierra del Perdón Project hosts two former operating mines that produced ~10.2Mt of potash between 1963 and 1996. In its latter years of operation the mine was producing around 200,000 tonnes of potash per annum. The mine was closed in 1997 when potash prices were US$110 per tonne and new mine infrastructure was required. Potash prices are presently around US$370 per tonne (CIF North West Europe) and US$287 per tonne (Vancouver FOB).

5.1.1 Project Location

The project is located ~12km south of Pamplona. The potassic basin of the Sierra del Perdón is (on the northern edge) 7km south of Pamplona and extends from Noain, on the Pamplona – Zaragoza road (AP-15), to Undiano; to the west of the road (AP-12) from Pamplona to Estella.

5.1.2 Access

Major highways access the Project Area including A-15 and A-12 from Pamplona as well as highway A-21 which connects Sierra del Perdón and Javier-Pintano (Figure 1). The highways and roads are generally good, and both areas are accessible by vehicle along major highways and grid roads.

5.1.3 Supporting Infrastructure

In addition to the information presented in section 3.1.3, the Sierra del Perdón area still has mine infrastructure in place, as seen in Figure 9. However, given that infrastructure upgrades were required when the mine ceased operation in 1996, substantial refurbishment may be required.

Figure 9 Potasas de Subiza operations showing conveyor belt system rising before the decline

5.1.4 Geopolitical Environment

Refer to section 3.1.4.

5.2 Ownership and Tenure

The Sierra del Perdón Project consists of three PI permits which cover an area of 149.7km^2 (Figure 10), including the recently granted Ampliación Adiós which flanks the south and western areas of the project. Details of the permits are presented below in Table 9.

Figure 10 Sierra del Perdón Project Tenement Locations

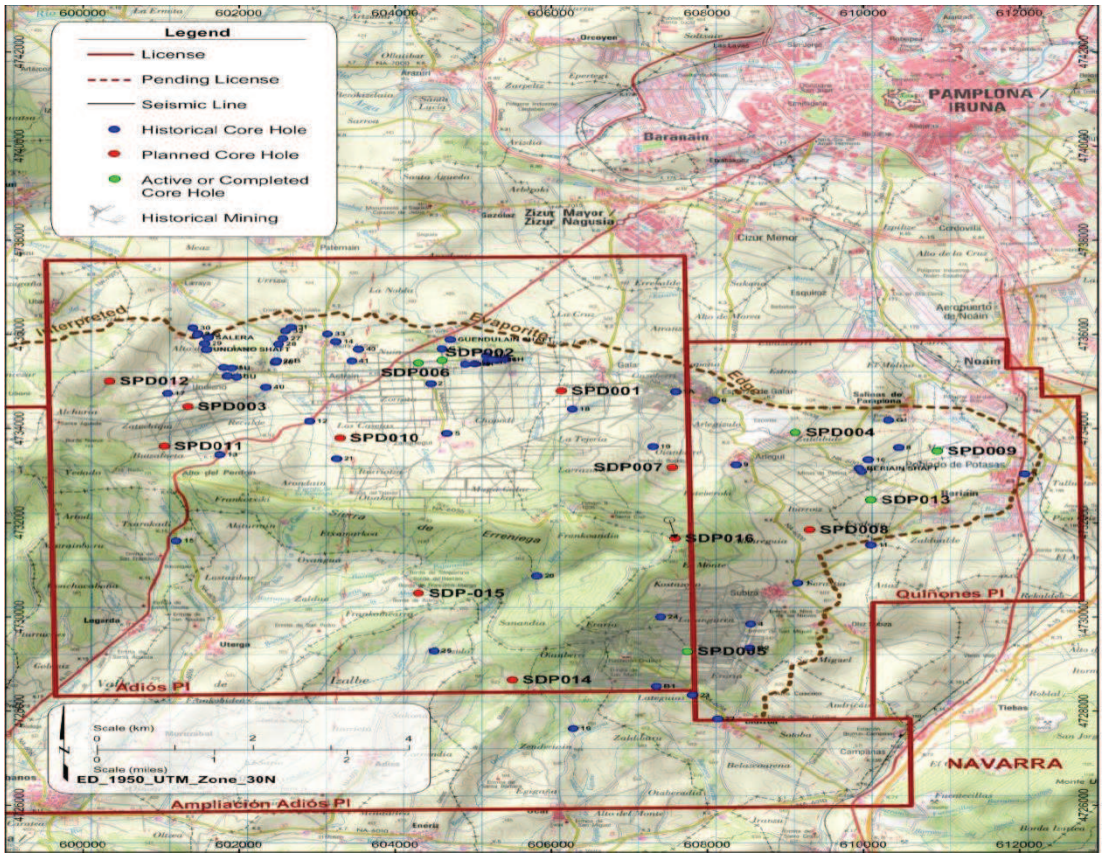


Table 9 Sierra del Perdón Project Tenement Details

Permit Name & Reference No.	Permit Type	Area (km^2)	Grant Date	Expiry Date	Owner and Equity
Quiñones 35760	Investigation	33.3	7/08/2012	7/08/2015	Geoalcali S.L. (100%)
Adiós 35770	Investigation	75.6	7/08/2012	7/08/2015	Geoalcali S.L. (100%)
Ampliación Adiós 35880	Investigation	40.8	14/02/2014	14/02/2017	Geoalcali S.L. (100%)

5.2.1 Project Ownership and Relevant Interests

Refer to section3.2.1.

5.2.2 Agreements

Refer to section 3.2.2.

5.2.3 Royalties and Taxes

Refer to section 3.2.3.

5.3 History

Production at Pamplona began in 1963 with a capacity of 250,000 tonnes per year of K_2O. A thick carnallite member overlies the sylvinite, so in 1970 a refinery with the capacity for 300,000 tonnes per year was built to accommodate for carnallite from the Esparza (Stirrett and Mayes, 2013). Carnallite mining was ceased in 1977. Inclined ramps for the mine were located near Esparza, reaching the center of the mine, with further shafts located at Berain, Guendulain and Undiano. In 1982, 2.2 million tonnes of sylvinite were extracted with an average K_2O grade of 11.7% (Stirrett and Mayes, 2013).

5.3.1 Ownership History

Refer to section 3.3.1.

5.3.2 Exploration History

The historical information relating to the Sierra del Perdón project area is pointed towards the production history of the area with little detail to the history of exploration activities themselves. Historical drill hole and seismic line locations are shown in Figure 10.

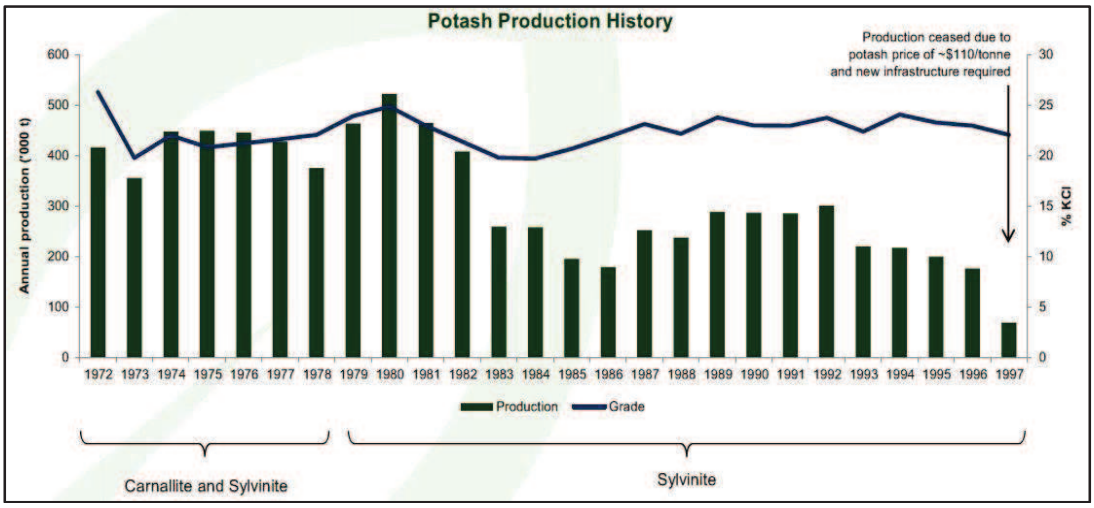
5.3.3 Previous Mineral Resource Estimates

There have been no classified mineral resource estimates published since the cessation of mining in 1997 at the project.

5.3.4 Previous Production

Highfield recently sourced production records for the two former operating mines that date back to 1963. According to production records lodged with the Ministerio d Industria by Minas de Potasas de Navarra and Subiza and the Auñamendi Eusko Entzikilopedia, a total of 54,393,158 tonnes of sylvinite and carnallite ore were extracted between 1963 and 1996. 10,239,497 tonnes of K60 potash were produced over the period. This represents a net recovered grade of 18.8% K60 potash product and suggests an undiluted grade of 22.1% K60 potash product or 13.3% K_2O (based on a recovery rate assumption of 85%). Production figures from 1972 to 1997 are shown below in Figure 11.

Figure 11 Potash production history (1972 – 1997) for the Sierra del Perdón Project



Three declines were constructed over the life of the mine with the Berain shaft constructed (from the bottom up) in the early 1980's for phase two extraction of Potasas de Narvarra. The project area comprises six different zones (Block A-F). Historically, potash was extracted through traditional underground mining techniques using ramps, and mining concentrated in the shallower regions toward the east – zones A, C, and E were completely mined, while zone B was partially mined. A preliminary review of the mining area conducted by North Rim Exploration indicates potash potential in Blocks D and F as no mining was carried out previously in these zones.

5.4 Geological Setting

Refer to section 3.4.

5.4.1 Regional Geology and Mineralisation

Refer to section 3.4.1.

5.4.2 Project Geology

Refer to section 3.4.2

5.4.3 Controls on Mineralisation

In addition to the considerations that need to be taken into account when dealing with potash deposits, outlined in section 3.5.3, the following controls are reported for the Sierra del Perdón project area:

- Marina (1987), reported that the deposit dips 12 - 16° to the south, forming part of a syncline affected by conjugated faults running northeast – southwest and northwest – southeast which limit four exploitation zones.
- Cendon, *et al.*, (1998), refer specifically to the Sierra del Perdón area when discussing *barren bodies* (refer to section 3.5.3.1) within the sylvite beds, offering syn-sedimentary processes as an explanation.

5.5 Exploration Results and Potential

5.5.1 Recent Exploration Activities

Between August and December 2013, Highfield completed six drill holes of an initial confirmatory drilling campaign (SDP002, SDP004, SDP005, SDP006, SDP009 and SDP013). Each drill hole was designed to test an element of the project including the extent of potash mineralisation, thickness of sylvinite and carnallite seams and potassium grades. The SDP002 drill hole was not completed when circulation was lost after intersecting a 6m potash seam. It was replaced by SDP006.

Holes SDP004, SDP005, SDP006 and SDP013 each intersected a thick carnallite seam confirming historical information with respect to the thickness of carnallite above some halite interbedding with sylvinite. The assay results of SDP004 showed a potash intersect containing an upper interbedded carnallite seam of around 9m and lower interbedded sylvinite seam of 5m. The drill hole intersected 7.5m of continuous mineralisation at 14.9% K_2O (23.6% KCl) comprising the lower carnallite seam and underlying sylvinite seam.

Drill hole SDP009 was aimed at testing the extent of potassium within the evaporite. The hole was drilled down to a depth of 94.5m at which time it was determined potassium mineralisation did not extend into the shallow Eastern section of the evaporite. In drill hole SDP013, a 10m potash seam was intersected at a depth from surface of 510m.

Assay results were released in December 2013 for drill holes SDP005 and SDP006 (ASX Release – 27 November 2013). Both drill holes intersected thick potash mineralisation confirming historical information with respect to the thickness of carnallite above some halite interbedding with sylvinite. Assay results for SDP005 showed a potash intersection commencing at a depth to surface of 415m and finishing at 435m. Within this intersect is a 5.1m a lower carnallite seam at an average grade of 11.0% K_2O (17.4% KCl) and a 1.8m sylvinite seam of 15.5% K_2O (24.5% KCl). Above this sylvinite seam was a void of 2.7m. Historical mine records suggest this area was mined for its sylvinite content.

Assay results for SDP006 show a potash intersect commencing at a depth to surface of 201m and finishing at 207.5m. Within this intersect is a 1.9m lower carnallite seam at an average grade of 13.5% K_2O (21.4% KCl). Historical mining records indicate the sylvinite seam was fully mined.

5.5.2 Exploration Potential

The observations and results described above in section 5.5.1, appear to confirm historic reports on the extent of the evaporite and the mining records detailing the extraction of some 37Mt of sylvinite ore and 5.5Mt of carnallite ore from the project area.
The northern edge of the deposit appears to be clearly defined however this is not the case to the south. Drilling is planned to test this southern area (Figure 10) with the recently granted Ampliación Adiós permit covering the position of southern extensions. Further drilling between to two historic mine areas is also planned.

5.5.3 Constraints to Further Exploration Success

Refer to section 3.5.3.

5.6 Mineral Resources

AAI has commenced work on a JORC compliant Measured and Indicated Mineral Resource estimate.

5.7 Mining Studies

Highfield is assessing the assay results from the recent drilling program and is expected to release a development strategy for the Sierra del Perdón project in the near future. Given the history of mining at the project and access to mine records, a future operation is likely to ultilise the same methodologies and processes.

6. VALUATION

6.1 Introduction

There are a number of recognised methods used in valuing mineral assets. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to the asset. All monetary values included in this report are expressed in Australian dollars (A$) unless otherwise stated.

The VALMIN Code, which is binding upon Experts and Specialists involved in the valuation of mineral assets and mineral securities, classifies mineral assets in the following categories:

- Exploration Areas refer to properties where mineralisation may or may not have been identified, but where specifically a Mineral Resource has not been identified.
- Advanced Exploration Areas refer to properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by some form of detailed geological sampling. A Mineral Resource may or may not have been estimated but sufficient work will have been undertaken that provides a good understanding of mineralisation and that further work will elevate a prospect to the resource category. Ravensgate considers any identified Mineral Resources in this category would tend to be of relatively lower geological confidence.
- Pre-Development Projects are those where Mineral Resources have been identified and their extent estimated, but where a positive development decision has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- Development Projects refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- Operating Mines are those mineral properties, which have been fully commissioned and are in production.

Various recognised valuation methods are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that comprise one or more of these categories. When valuing Exploration Areas and therefore by default where the potential is inherently more speculative than more advanced projects, the valuation is largely dependent on the informed, professional opinion of the valuer. There are a number of methods available to the valuer when appraising Exploration Areas.

The Multiple of Exploration Expenditure (MEE) method can be used to derive project value, when recent exploration expenditure is known or can be reasonably estimated. This method involves applying a premium or discount to the exploration expenditure or Expenditure Base (EB) through application of a Prospectivity Enhancement Multiplier (PEM). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a grass roots project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value. The following guidelines are presented on selection of the PEM:

- PEM = 1. Exploration activities and evaluation of mineralisation potential justifies continuing exploration.
- PEM = 2. Exploration activities and evaluation of mineralisation potential has identified encouraging drill intersections or anomalies, with targets of noteworthy interest generated.
- PEM = 3. Exploration activities and evaluation of mineralisation potential has identified significant grade intersections and mineralisation continuity.

Where transactions including sales and joint ventures relating to mineral assets that are comparable in terms of location, timing, mineralisation style and commodity, and where the terms of the sale are suitably *arm's length* in accordance with the VALMIN Code, such transactions may be used as a guide to, or a means of, valuation. This method (termed Comparable Transactions) is considered highly appropriate in a volatile financial environment where other cost based methods may tend to overstate value.

The Joint Venture Terms valuation method may be used to determine value where a Joint Venture Agreement has been negotiated at *arm's length* between two parties. When calculating the value of an agreement that includes future expenditure, cash and/or shares payments, it is considered appropriate to discount expenditure or future payments by applying a discount rate to the mid-point of the term of the earn-in phase. Discount factors are also applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur. The value assigned to the second and any subsequent earn-in stages always involves increased risk that each subsequent stage of the agreement will not be completed, from technical, economic and market factors. Therefore, when deriving a technical value using the Joint Venture Terms method, Ravensgate considers it appropriate to only value the first stage of an earn-in Joint Venture Agreement. Ravensgate have applied a discount rate of 10.0% per annum to reflect an average company's cost of capital and the effect of inflation on required exploration spends over the timeframe required.

The total project value of the initial earn-in period can be estimated by assigning a 100% value, based on the deemed equity of the farminor, as follows:

$$V_{100} = \frac{100}{D}\left[CP + \left(CE * \frac{1}{(1+I)^{\frac{t}{2}}}\right) + \left(EE * \frac{1}{(1+I)^{\frac{t}{2}}} * P\right)\right]$$

where:

V_{100}	=	Value of 100% equity in the project ($)
D	=	Deemed equity of the farminor (%)
CP	=	Cash equivalent of initial payments of cash and/or stock ($)
CE	=	Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock ($)
EE	=	Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments ($)
I	=	Discount rate (% per annum)
t	=	Term of the Stage (years)
P	=	Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

Where Mineral Resources remain in the Inferred category, reflecting a lower level of technical confidence, the application of mining parameters using the more conventional DCF/NPV approach may be problematic or inappropriate and technical development studies may be at scoping study level. In these instances it is considered appropriate to use the 'in-situ' Resource method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal or commodity contained within the resource. The level of discount applied will vary based on a range of factors including physiography and proximity to infrastructure or processing facilities. Typically and as a guideline, the discounted value is between 1% and 5% of the in-ground value of the metal in the Mineral Resource.

In the case of Pre-development, Development and Mining Projects, where Measured and Indicated Mineral Resources have been estimated and mining and processing considerations are known or can be reasonably determined, valuations can be derived with a reasonable degree of confidence by compiling a discounted cash flow (DCF) and determining the net present value (NPV).

The Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012) sets out minimum standards, recommendations and guidelines. A Mineral Resource defines a mineral deposit with reasonable prospects of economic extraction. Mineral Resources are sub-divided into Inferred, Indicated and Measured to represent increasing geological confidence from known, estimated or interpreted specific geological evidence and knowledge. An Ore Reserve is the economically minable part of a Measured or Indicated Resource after appropriate studies. An Inferred Resource reflecting insufficient geological knowledge, cannot translate into an Ore Reserve. Measured Resources may become Proved (highest confidence) or Probable Reserves. Indicated Resources may only become Probable Reserves.

6.2 Previous Mineral Asset Valuations

Ravensgate is not aware, nor have we been made aware, of any valuations over Highfield's projects. Tenements have not been included in the valuation where tenure or permits have not been granted to the relevant company (as of the valuation date) and the company does not therefore have any ownership over tenement mineral assets or any exploration value within the tenements. Whilst ground is under application, there are uncertainties as to whether the tenement will be granted in its entirety or only in part due to specific exclusions or if at all, due to environmental or other considerations.

6.3 Material Agreements

Ravensgate has been commissioned by BDO to provide an Independent Technical Project Review and Valuation Report. The Technical Project Review and Valuation report encompasses Highfield's Spanish potash projects. The Technical Valuation report provides an assessment of their *Advanced Exploration Area* and *Pre-Development Project* mineral assets listed below with Highfield's effective ownership percentage.

Mineral Asset	Highfield's Ownership %
Javier-Vipasca Potash Project, Spain	100%
Pintano Potash Project, Spain	100%
Sierra del Perdón Potash, Spain	100%

Ravensgate understands that all granted active exploration and investigation permits at this point in time are in good standing.

On the 26 June 2012 Highfield announced that it was going to acquire 100% of the Navarra Project made up of the mineral assets listed above. Highfield agreed to acquire 100% of the issued share capital of KCL Resources Limited which, via its wholly owned subsidiary Geoalcali S.L., holds 100% of the Navarra Project. The material terms of the agreement can be summarised as follows:

a. 50,000,000 (50M) ordinary shares as consideration for 100% of the Project; and

b. 100,000,000 (100M) performance shares to be converted to ordinary shares upon the successful completion of two Project related milestones (50M ordinary shares per milestone). Those milestones are:

   - 50,000,000 Performance Shares upon delineation of a JORC Code (or equivalent) compliant Indicated Mineral Resource of:

     (i) 150 million tonnes at a minimum grade of 13% K_20 by content; or

(ii) 125 million tonnes at a minimum grade of 14% K2O by content; or

(iii) 100 million tonnes at a minimum grade of 15% K2O by content; or

(iv) 75 million tonnes at a minimum grade of 17% K2O by content; or

(v) 50 million tonnes at a minimum grade of 20% K_2O by content on the; and

- 50,000,000 Performance Shares upon announcement by the Company to Australian Securities Exchange of receipt of all required approvals for the construction of an operating mine with capacity for 500,000 tonnes of potash per annum on the project.

Ravensgate is not aware, nor have been made aware, of any other agreements that have a material effect on the provisional valuations of the mineral assets, and on this basis have made no adjustments on this account.

6.4 Comparable Transactions

Ravensgate has completed a search for publicly available market transactions involving potash projects without resources and potash projects with mineral resources. Due to the small number of potash transactions Ravensgate did not limit its search geographically.

Transactions for potash projects without mineral resources were limited to advanced projects which, might have contained an Exploration Target, been immediately adjacent to known potash resources or mines. Such advanced project transactions were selected as such transactions in Ravensgate's opinion best reflected the status of the Sierra de Perdón Potash Project.

Transactions reflect comparable tenement holdings in geological provinces that are considered prospective for similar commodities, and that are of similar prospectivity to the mineral assets being valued. In Ravensgate's opinion and experience, it is understood that individual market transactions are rarely completely identical to the relevant project area or may not necessarily contain all the required information for compilation. In practice, a range of implied values on a dollar per commodity unit or dollar per square kilometre of tenement holding will be defined as suitable for use. The transactions identified along with the implied cash-equivalent values are summarised in Section 6.4.1 by commodity and region. Based on the limited information available Ravensgate have done their best to only use transactions between willing buyers and sellers in *arms length* transactions.

Publically available market transactions have been separated to reflect transactions on a dollar per square kilometre of tenement holding or on a dollar per commodity unit for a Mineral Resource. This was undertaken to reflect the varying levels of geological exploration carried out within the various project tenements. In general terms, exploration projects may start with a relatively large tenement holding where a lack of detailed geological sampling and knowledge renders the use of the in-situ yardstick valuation method inappropriate (i.e. an Exploration Area Mineral Asset). For these particularly early-stage exploration areas comparable transactions on a dollar per square kilometre basis are more relevant. As the project advances and as geological sampling and knowledge increase, tenement areas tend to decrease to match a narrowing focus on more prospective areas. For these areas where specific, drill sample supported Exploration Targets have been identified that warrant further detailed evaluation or Mineral Resources require estimation, comparable transactions on a dollar per metal unit basis may be more appropriate (i.e. an 'Advanced Exploration Area Mineral Asset or Pre-Development Project at early assessment').

To compare the mineral resource transactions of the potash projects, they were normalised to take into account the change in the potash price and variations in exchange rates. This has been done by taking the implied value per tonne of KCl and dividing it by the KCl price in Australian dollars at the time of the transaction and expressing the resultant value as a percentage. For this normalisation process Ravensgate has used the KCl Vancouver FOB price.

A number of the mineral resource transactions were company takeovers, which would have involved a control premium. A takeover control premium is generally in the order of 20% to

30%, Ravensgate has reduced these transactions by a nominal 25% to account for the control premium.

6.4.1 Reported Market Transactions

6.4.1.1 Market Transactions for Advanced Exploration Area Potash

Ravensgate's analysis of market transactions for Advanced Exploration Area Mineral Asset potash projects (Table 10) indicates an implied value between $6,985 and $310,529 per km^2 for Advanced Exploration Area Mineral Assets, with no estimated Mineral Resources in accordance with the JORC Code 2012. The implied value per km^2 was dependent on the presence and grade of the potash mineralisation present upon them, or whether potash resources were immediately adjacent to them with possible mineralisation extensions extending on to the licences. The implied value was also affected by the strategic importance of the licences to the purchaser.

6.4.1.2 Market Transactions for Potash Mineral Resources

Ravensgate's analysis of market transactions for potash projects with mineral resource throughout the world (Table 11) indicates an implied value between $0.11 and $3.93 per resource tonne of KCl, where resources were only expressed as K_2O they were converted to KCl by the following factor 1 tonne of K_2O equals 1.604 tonnes of KCl. The implied value per tonne is dependent on the resource category (Measured, Indicated or Inferred) and the average grade of the potash in the mineral resource. The implied value was also affected by the strategic importance of the resources to the purchaser. A degree of sovereign risk will also be associated with the projects considered to be in countries with higher, political, operational, security and terrorism risks, which would be reflected in the values.

A number of the transactions are company takeovers and not direct acquisitions of mineral resources. Such transactions normally involve a takeover control premium generally between 20% and 30%. For these transactions Ravensgate has provided a second set of values based on removing a nominal 25% control premium from the original transaction value.

To take into account the change in potash prices over time, for each transaction in Table 10 the implied value per resource tonne of KCl was divided by the monthly average KCl price (Vancouver FOB) in Australian dollars in which the transaction occurred and expressed as a percentage (Table 11) and ranked from highest to lowest in terms of percentage.

Table 10 Market Transactions Involving Potash Projects at the Advanced Exploration Stage but No Mineral Resources							
Date	**Country**	**Vendor**	**Purchaser/Farminee**	**Transaction Type**	**Value[1] $M**	**Area km^2**	**Cost per km^2 A$**
29-Jan-13	Congo	Patagonia Capital Limited	African Potash Limited	Acquisition	20.42	703	29,064
11-Jun-12	Brazil	Lara Exploration Ltd	Aguia Resources Limited	Option to Purchase	4.33	215	20,135
23-Jan-12	Argentina	Not Named	Marafil Mines Ltd	Acquisition	2.10	301	6,985
17-Jan-11	England	York Potash Limited	Sirius Minerals PLC	Acquisition	40.56	600	67,597
9-Nov-10	Ethiopia	Not Named	Allana Potash Corp.	Acquisition	3.42	11	310,529
8-Dec-09	Brazil	Lara Exploration Ltd	Talon Metals Corp.	Joint Venture	5.43	141	38,474
15-Oct-09	Australia	Advale Holdings Pty Ltd	Sirius Minerals PLC	Acquisition	34.11	400	85,274

1 Value is on a 100% equity basis.

Table 11 Market Transactions Involving Potash Mineral Resources				
Project	**Transaction Details & Type**	**Contained KCl Tonnes (Mt)**	**Purchase Price 100% Basis (A$M)**	**Implied Value / KCl Tonne (A$)**
Danakil Potash Project, Ethiopia	7 May 2012: Premier African Mineral Limited entered into an acquisition agreement with AgriMinco Corp. for 12.6% of the Danakil Potash Project CAD$4.9M. The Danakil Potash Project at the time of the transaction had a mineral resource of 1,825.4Mt @ 19.22%KCl for a total of 350.8Mt of KCl. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $38.25M (notional $0.11 A$/KCl tonne on 100% terms).	350.8	38.25	0.11
Satimola Potash Project, Kazakhstan	6 May 2013: Kazakhstan Potash Corporation Limited entered into an acquisition agreement with Satimola Limited for 100% of the Satimola Potash Project for US$150M. The Satimola Potash Project at the time of the transaction had a mineral resource of 2,500Mt @ 20.1% K_2O for a total of 502.5Mt of K_2O (806.0Mt of KCl). Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $145.31M (notional $0.18 A$/KCl tonne on 100% terms).	806.0	145.31	0.18
Hollbrook Basin Potash Project, USA	30 May 2012: Prospect Global Resources Inc. entered into an acquisition agreement with the Karlsson Group for the remaining 50% of American West Potash LLC whose main project is the Hollbrook Basin Potash Project for US$150M. The Hollbrook Basin Potash Project had a mineral resource at the time of the transaction of 718.4Mt @ 11.47% K_2O for a total of 82.4Mt of K_2O (132.2Mt of KCl). Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $306.25M (notional $2.32 A$/KCl tonne on 100% terms).	132.2	306.25	2.32
Zhilyanskoye Potash Project, Kazakhstan	30 March 2012: Kazakhstan Potash Corporation Limited entered into an acquisition agreement with various vendors for 95% of the Zhilyanskoye Potash Project for $285M in shares. The Zhilyanskoye Potash Project had a mineral resource at the time of the transaction of 1,103.5Mt @ 9.14% K_2O for a total of 100.9Mt of K_2O (161.8Mt of KCl). Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $300.00M (notional $1.85 A$/KCl tonne on 100% terms).	161.8	300.00	1.85
Mengo Potash Project, Congo	20 April 2011: Evergreen Industries Group announced a takeover of MagIndustries Corp. whose main project was a 90% interest in the Mengo Potash Project in Congo. The takeover valued MagIndustries Corp. at CAD$115M on a fully diluted basis. The Mengo Potash Project had a mineral resource at the time of the transaction of 1,401.9Mt @ 17.24% KCl for a total of 241.5Mt of KCl. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $126.63M (notional $0.52 A$/KCl tonne on 100% terms). *Taking into account a nominal control*	241.5 *241.5*	126.63 *94.97*	0.52 *0.39*

Table 11 Market Transactions Involving Potash Mineral Resources				
Project	**Transaction Details & Type**	**Contained KCl Tonnes (Mt)**	**Purchase Price 100% Basis (A$M)**	**Implied Value / KCl Tonne (A$)**
	premium of 25% the implied discounted cash equivalent on 100% equity basis is $94.97M (notional $0.39 A$/KCl tonne on 100% terms).			
Burr Potash Project, Canada	28 January 2010: BHP Billiton announced a takeover of Athabasca Potash Inc. whose main project is the Burr Potash Project in Canada. The takeover valued Athabasca Potash Inc. at US$320M on a fully diluted basis. The Burr Potash Project had a mineral resource at the time of the transaction of 611.7Mt @ 22.85% K_2O for a total of 139.8Mt of K_2O (224.2Mt of KCl). Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $356.03M (notional $1.59 A$/KCl tonne on 100% terms). *Taking into account a nominal control premium of 25% the implied discounted cash equivalent on 100% equity basis is $267.02M (notional $1.19 A$/KCl tonne on 100% terms).*	224.2 *224.2*	356.03 *267.02*	1.59 *1.19*
Dallol Potash Project, Ethiopia	20 July 2009: A Chinese State Owned Enterprise acquired a 19.99% equity interest in Allana Potash Limited whose main asset is the Dallol Potash Project in Ethiopia. The 19.99% equity interest was valued at CAD$4.5M. The Dallol Potash Project had a mineral resource at the time of the transaction of 105.2Mt @ 20.8% KCl for a total of 21.9Mt of KCl. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $25.17M (notional $1.15 A$/KCl tonne on 100% terms).	21.9	25.17	1.15
Potassio Rio Colorado Potash Project, Argentina	30 January 2009: Vale SA entered into an acquisition agreement with Rio Tinto Limited for 100% interest of the Potassio Rio Colorado Potash Project in Argentina for US$850M. The Potassio Rio Colorado Potash Project had a mineral resource at the time of the transaction of 1,026Mt @ 32% KCl for a total of 328.3Mt of KCl. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $1,288.94M (notional $3.93 A$/KCl tonne on 100% terms).	328.3	1,288.94	3.93
Lake Jansen Potash Project, Canada	12 May 2008: BHP Billiton announced a takeover of Anglo Potash Limited whose main project was a 25% interest in the Lake Jansen Potash Project in Canada. The takeover valued Anglo Potash Limited at US$282M on a fully diluted basis. The Lake Jansen Potash Project had a mineral resource at the time of the transaction of 1,242Mt @ 23.59% K_2O for a total of 293.3Mt of K_2O (470.4Mt of KCl). Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is $1,195.12M (notional $2.54 A$/KCl tonne on 100% terms). *Taking into account a*	470.4 *470.4*	1,195.12 *896.34*	2.54 *1.91*

Table 11 Market Transactions Involving Potash Mineral Resources				
Project	**Transaction Details & Type**	**Contained KCl Tonnes (Mt)**	**Purchase Price 100% Basis (A$M)**	**Implied Value / KCl Tonne (A$)**
	nominal control premium of 25% the implied discounted cash equivalent on 100% equity basis is $896.34M (notional $1.91 A$/KCl tonne on 100% terms).			

Notes: CAD$ = Canadian dollars, US$ = American dollars

Table 12 Summary of Market Transactions Involving Potash Mineral Resources						
Transaction Date	**Project Name**	**Transaction Value $M**	**Contained KCl Tonnes (M)**	**KCl Cost Per Tonne A$**	**KCl Price[1] on Trans Date A$/t KCl**	**Cost per t as a % of the KCl Price**
30-May-2012	Hollbrook Basin Potash Project	306.25	132.2	2.85	457.14	0.51
30-Mar-2012	Zhilyanskoye Potash Project	300.00	161.8	1.85	455.32	0.41
12-May-2008	Jansen Lake Potash Project[2]	896.34	470.4	1.91	546.14	0.35
30-Jan-2009	Potasio Rio Colorado Potash Project	1,288.94	328.3	3.93	1,259.01	0.31
28-Jan-2010	Burr Potash Project[2]	267.02	224.2	1.19	387.43	0.31
20-Jul-2009	Dallol Potash Project	25.17	21.9	1.15	815.66	0.14
20-Apr-2011	Mengo Potash Project[2]	94.97	241.5	0.39	392.13	0.10
06-May-2013	Satimola Potash Project	145.31	806.0	0.18	395.31	0.05
20-Mar-2014	Danakil Potash Project	38.25	350.8	0.11	341.17	0.03

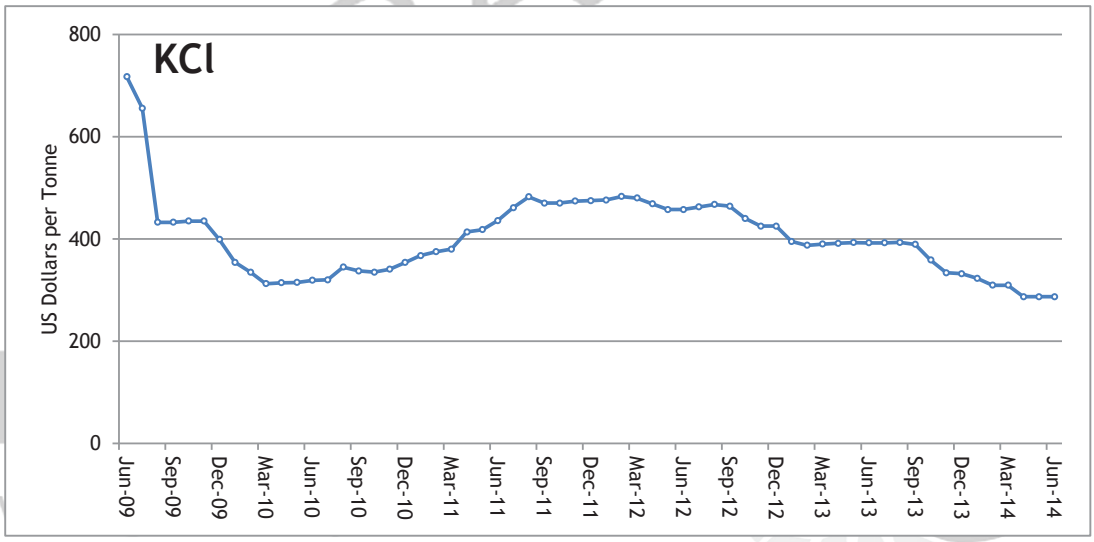
1. The price is based on the Vancouver FOB KCl monthly average prices from Indexmundi.com converted to Australian dollars.

2. For the transactions that were takeovers only the values less the nominal 25% control premium are shown.

6.4.2 *Commodity Prices*

Ravensgate has examined the historical commodity price chart for potash (Vancouver FOB KCl) Figure 12 for general trends over time. A general analysis of the five year monthly average price chart for potash in Figure 12 shows a rapid decline from June 2009 before steadying and declining slowly until March 2010 from where the price gradually increased until August 2011. The price remained relatively steady until September 2012 before declining to January 2013 where it steadied again until September 2013 and the price of potash has been in decline since. Ravensgate has taken into consideration the general commodity trend as an influence on deriving a final project valuation.

Figure 12 Potash Five Year Monthly Average Price Chart to June 2014



Source: Indexmundi.com

6.5 Mineral Asset Valuations

6.5.1 Javier-Vipasca Potash Project, Spain

For valuing the Javier-Vipasca Potash Project Ravensgate has split it into two parts, the area containing the potash mineral resources and the surrounding exploration tenure.

6.5.1.1 Selection of Valuation Method

The Javier-Vipasca Potash Project, in which Highfield has a 100% interest in the area of the mineral resources can be classified as a Pre Development Project mineral asset as defined in Section 6.1 and the surrounding exploration tenure can be classified as an Advanced Exploration Area mineral asset as defined by Section 6.1.

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has been reported for the Javier-Vipasca Potash Project. In valuing the mineral asset of the Javier-Vipasca Potash Project, Ravensgate considers the DCF/NPV method inappropriate, due to the stage of the project, with no ore reserves defined and that the project is not expected to be in production in the immediate near term (1 to 2 years).

Ravensgate has elected to apply the Comparable Transaction method to value the project after consideration of the various valuation methods outlined in Section 6.1 and the geological / exploration information outlined in Section 3. Multiples of Exploration (MEE) and other cost based methods were not thought to be appropriate to apply in this case due to the substantial historic expenditures.

6.5.1.2 Project Analysis – Comparable Transactions Method

Ravensgate has subdivided the Javier-Vipasca project into two parts, the area containing the potash mineral resources and the surrounding exploration tenements to be valued on their exploration potential.

Javier-Vipasca Mineral Resources

Ravensgate's analysis of market transactions of potash resources in Table 10 indicates that the implied value of projects with undeveloped potash mineral resources range from $0.11 to $3.93 per contained resource tonne of KCl. On a raw (not normalised basis) the average and median cost per tonne of KCl for all the transactions (transactions that were takeovers used the values reduced by the nominal 25% takeover premium) were $1.34 and $1.19 respectively.

Analysing all the transactions on a normalised basis, which takes into account the change in the commodity prices over time (Table 11), the above range can be expressed as a percentage of the potash price being 0.03% to 0.51%. The average and median of these transactions were 0.24% and 0.31%, respectively.

Taking a closer look at the transactions Ravensgate has removed the transaction between AgriMinco Corp. and Premier African Minerals Limited as an outlier and the transaction between Satimola Limited and Kazakhstan Potash Corporation Limited as the resource also includes a sizable borate (B_2O_3) resource. Re-analysing the remaining transactions on a raw basis the average and median cost per tonne of KCl were $1.74 and $1.52 respectively and on a normalised basis 0.30% and 0.31% of the potash price. It is quite evident that the countries with a higher perceived sovereign risk (Ethiopia and Congo) have the lowest values on a normalised basis.

Ravensgate has derived a normalised range of 0.30% to 0.40% and a preferred value of 0.35% to apply to the Javier-Vipasca mineral resource listed Section 3.6, using the June 2014 monthly average potash (KCl Vancouver FOB) price of $307.12 (US$287.00). This range translates to $0.92 to $1.23 per tonne of KCl with a preferred value of $1.07 per tonne of KCl (Table 12). This range reflects the confidence and grade of the potash mineral resource. These values relate to approximately $44.12.71M to $58.83M for the total contained KCl

within the current mineral resource estimates (47.9Mt KCl). From this range a preferred value of $51.47M has been selected which reflects the outcome of the exploration to date and the quality of the mineral resources. Ravensgate selected an above average range and preferred value due to the lower estimated costs in developing the Javier-Vipasca mineral resource compared to other potash projects and that the mineralisation is at a far shallower depth starting at 300m compared to greater than 1,000m in the case of the other projects.

Javier-Vipasca Surrounding Exploration Tenure

The Javier-Vipasca mineral resource covers approximately 20% of the Javier-Vipasca project area. Ravensgate has valued the remaining 80% of the project area on its exploration potential.

Ravensgate's analysis of market transactions for Advanced Exploration Area Mineral Asset potash projects (Table 10) indicates an implied value between $6,985 and $310,529 per km^2 for Advanced Exploration Area Mineral Assets, with no estimated Mineral Resources in accordance with the JORC Code 2012. The implied value per km^2 was dependent on the presence and grade of the potash mineralisation present upon them, or whether potash resources were immediately adjacent to them with possible mineralisation extensions extending on to the licences. The implied value was also affected by the strategic importance of the licences to the purchaser.

Ravensgate has derived implied ranges and preferred values varying on the permits prospectivity per km^2 to apply to the area of the granted investigation permits (Table 14) which have a total combined area of 57.92km^2. These values relate to approximately $2.32M to $3.73M. From this range a preferred value of $3.02M has been selected, which reflects the outcome of successful exploration to date, the quality of the exploration ground and the possible impediments to future exploration success outlined in Section 3.5.2.

To derive appropriate values for the various investigation permits Ravensgate reviewed the exploration data and prospectivity for the permits and selected an appropriate range. The values attributed to each tenement were based upon a review of the prospectivity and quality of exploration targets on each tenement as described in Section 3.5. A brief description of the factors that have been taken into account in determining the value range and preferred value for the tenements are as follows:

Investigation permit 3500

- This investigation permit contains two recently drilled holes J13-07 and J13-08 (Figure 3) that both intersected potash mineralisation. These holes are along strike from the present Javier-Vipasca mineral resource indicating the potential to add additional resources.

Investigation permit 3502

- Most of this investigation permit is within the interpreted evaporate boundary (Figure 3), making it highly prospective for potash with the potential to add additional resources.

Investigation permit 35780

- Part of this investigation permit that is outside of the present mineral resource is within the highly prospective interpreted evaporate and the rest is outside the interpreted evaporate boundary (Figure 3).

Table 13 Javier-Vipasca Mineral Resource Valuation													
Resource Area	Cut-off	Tonnes Mt	Grade (%)	Tonnes Mt	Normalised % of KCl Price Average June 2014[1]			Equivalent Cost Per Tonne of KCl			Valuation $M		
					Min	Preferred	Max	Min	Preferred	Max	Min	Preferred	Max
Javier-Vipasca	Varied[2]	268.6[3]	17.83	47.9	0.27	0.31	0.35	$0.83	$0.95	$1.07	39.71	45.59	51.47

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

1. *The average June 2014 Vancouver FOB KCl price was $307.12 (US$287.00).*
2. *Resource cut-offs: (a) true thickness ≥ 1.5m: grade cut-off ≥ 8.0% K_2O, or (b) true thickness < 1.5m: grade-thickness cut-off ≥ 12.0% K_2O.*
3. *For the valuation the measured, indicated and inferred category mineral resources have been aggregated together.*

Table 14 Javier-Vipasca Surrounding Exploration Tenure Valuation									
Permit	Area km^2	Ownership Equity %	Area being Valued %	Values Per km^2			Valuation		
				Low $	Preferred $	High $	Low $M	Preferred $M	High $M
3500	20.4	100	80	60,000	80,000	100,000	0.98	1.31	1.63
3502	9.8	100	80	100,000	120,000	140,000	0.78	0.94	1.10
35780	27.72	100	80	25,000	35,000	45,000	0.55	0.78	1.00
TOTAL	**57.92**	**100**	**80**	**NA**	**NA**	**NA**	**2.32**	**3.02**	**3.73**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

6.5.2 Pintano Potash Project, Spain

For valuing the Pintano Potash Project Ravensgate has split it into two parts, the area containing the potash mineral resources and the surrounding exploration tenure.

6.5.2.1 Selection of Valuation Method

The Pintano Potash Project, in which Highfield has a 100% interest in the area of the mineral resources can be classified as an Advanced Exploration Area mineral asset as defined in Section 6.1 and the surrounding exploration tenure can be classified as an Advanced Exploration Area mineral asset as defined by Section 6.1.

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has been reported for the Pintano Potash Project. In valuing the mineral asset of the Pintano Potash Project, Ravensgate considers the DCF/NPV method inappropriate, due to the stage of the project, with no ore reserves defined and that the project is not expected to be in production in the immediate near term (1 to 2 years).

Ravensgate has elected to apply the Comparable Transaction method to value the project after consideration of the various valuation methods outlined in Section 6.1 and the geological / exploration information outlined in Section 4. Multiples of Exploration (MEE) and other cost based methods were not thought to be appropriate to apply in this case due to the substantial historic expenditures.

6.5.2.2 Project Analysis – Comparable Transactions Method

Pintano Mineral Resources

Ravensgate has applied the same rationale as used for the Javier-Vipasca mineral resource in Section 6.5.1.2, however has applied a lower value range and preferred value due to the current mineral resource being of lower confidence (all mineral resources classified as inferred) in comparison to Javier-Vipasca and at present being entirely estimated on historical drilling with no confirmation drilling having been completed by Highfield.

Ravensgate has derived a normalised range of 0.25% to 0.35% and a preferred value of 0.30% to apply to the Pintano mineral resource listed Section 4.6, using the June 2014 monthly average potash (KCl Vancouver FOB) price of $307.12 (US$287.00). This range translates to $0.77 to $1.07 per tonne of KCl with a preferred value of $0.92 per tonne of KCl (Table 13). This range reflects the confidence and grade of the potash mineral resource. These values relate to approximately $25.56M to $35.78M for the total contained KCl within the current mineral resource estimates (33.3Mt KCl). From this range a preferred value of $30.67M has been selected which reflects the outcome of the exploration to date and the quality of the mineral resources. Ravensgate selected a preferred value about the average (0.30%) normalised percentage of the potash price of the comparable transactions.

Pintano Surrounding Exploration Tenure

The Pintano mineral resource covers approximately 60% of the Puntarrón 3509 investigation permit. Ravensgate has valued the remaining 40% of this permit and the surrounding granted permit on its exploration potential.

Ravensgate's analysis of market transactions for Advanced Exploration Area Mineral Asset potash projects (Table 10) indicates an implied value between $6,985 and $310,529 per km^2 for Advanced Exploration Area Mineral Assets, with no estimated Mineral Resources in accordance with the JORC Code 2012. The implied value per km^2 was dependent on the presence and grade of the potash mineralisation present upon them, or whether potash resources were immediately adjacent to them with possible mineralisation extensions extending on to the licences. The implied value was also affected by the strategic importance of the licences to the purchaser.

Ravensgate has derived implied ranges and preferred values varying on the permits prospectivity per km^2 to apply to the area of the granted investigation permits (Table 16) which have a total combined area of $108.9km^2$. These values relate to approximately $1.49M to $2.69M. From this range a preferred value of $2.09M has been selected, which reflects the outcome of successful exploration to date, the quality of the exploration ground and the possible impediments to future exploration success outlined in Section 3.5.2.

To derive appropriate values for the various investigation permits Ravensgate reviewed the exploration data and prospectivity for the permits and selected an appropriate range. The values attributed to each tenement were based upon a review of the prospectivity and quality of exploration targets on each tenement as described in Section 4.5. A brief description of the factors that have been taken into account in determining the value range and preferred value for the tenements are as follows:

Exploration permit 3509.

- The exploration permit lies along strike to the east of the current Pintano mineral resource within the interpreted evaporite, with the potential for potash mineralisation. This permit is at an earlier stage of exploration compared to investigation permit 3495.

Investigation permit 3495.

- This permit contains the present Pintano mineral resource, there is good potential to increase this resource within the interpreted evaporite with additional drilling.

Table 15 Pintano Mineral Resource Valuation													
Resource Area	Cut-off	Tonnes Mt	Grade (%)	Tonnes Mt	Normalised % of KCl Price Average June 2014[1]			Equivalent Cost Per Tonne of KCl			Valuation $M		
					Min	Preferred	Max	Min	Preferred	Max	Min	Preferred	Max
Pintano	8.0%[2]	187.0	17.80	33.3	0.23	0.27	0.31	$0.71	$0.83	$0.95	23.51	27.60	31.69

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

1. *The average June 2014 Vancouver FOB KCl price was $307.12 (US$287.00).*
2. *Resource cut-off: composite grade 8.0% K_2O and bed thickness 2.0 m.*

Table 16 Pintano Surrounding Exploration Tenure Valuation									
Permit	Area km^2	Ownership Equity %	Area being Valued %	Values Per km^2			Valuation		
				Low $	Preferred $	High $	Low $M	Preferred $M	High $M
3495	90.7	100	100	10,000	15,000	20,000	0.91	1.36	1.81
3509	18.2	100	40	80,000	100,000	120,000	0.58	0.73	0.87
TOTAL	**108.9**	**100**	Various	NA	NA	NA	**1.49**	**2.09**	**2.69**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

6.5.3 Sierra del Perdón Potash Project, Spain

For valuing the Sierra del Perdón Potash Project Ravensgate has valued it on the potash prospectivity of the granted mineral licences that make up the project.

6.5.3.1 Selection of Valuation Method

The Sierra del Perdón Potash Project, in which Highfield has a 100% interest in can be classified as an *Advanced Exploration Area* mineral asset as defined in Section 6.1.

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has not been reported for the Sierra del Perdón Potash Project. In valuing the mineral asset of the Sierra del Perdón Potash Project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the project, with no mineral resources defined.

Ravensgate has elected to apply the Comparable Transaction method to value the project after consideration of the various valuation methods outlined in Section 6.1 and the geological / exploration information outlined in Section 5. Multiples of Exploration (MEE) and other cost based methods were not thought to be appropriate to apply in this case due to the substantial historic expenditures.

6.5.3.2 Project Analysis – Comparable Transactions Method

Ravensgate has derived implied ranges and preferred values varying on the permits prospectivity per km^2 to apply to the area of the granted investigation permits (Table 17) which have a total combined area of 149.80km^2. These values relate to approximately $3.89M to $6.48M. From this range a preferred value of $5.18M has been selected, which reflects the outcome of successful exploration to date, the quality of the exploration ground and the possible impediments to future exploration success outlined in Section 5.5.2.

To derive appropriate values for the various investigation permits Ravensgate reviewed the exploration data and prospectivity for the permits and selected an appropriate range. The values attributed to each tenement were based upon a review of the prospectivity and quality of exploration targets on each tenement as described in Section 5.5. A brief description of the factors that have been taken into account in determining the value range and preferred value for the tenements are as follows:

Investigation permit 35760.

- The observations and results described above in Section 5.5.1, appear to confirm historic reports on the extent of the evaporite and the mining records detailing the extraction of some 37Mt of sylvinite ore and 5.5Mt of carnallite ore from the project area. Further drilling between to two historic mine areas is also planned. The interpreted edge of the evaporite is well defined within the permit boundaries.

Investigation permit 35770.

- The northern edge of the deposit appears to be clearly defined with historic drill holes, underground workings and seismic lines, however this is not the case to the south. Drilling is planned in the southeast corner of the permit in proximity to the historic workings of the Subiza Mine, which appear to be well confined by the permit boundary (Figure 10).

Investigation permit 35880.

- The recently granted Ampliación Adiós permit covers the position of potential southern extensions to the Subiza area mineralisation. One historic drill hole has been completed in this permit area. Further drilling is required to define the evaporate edge in the southern region of the project area.

Table 17 Comparable Transaction Valuation of Sierra del Perdón Potash Project								
Investigation Permit	Area km^2	Equity %	Values Per km^2			Valuation		
			Low $	Preferred $	High $	Low $M	Preferred $M	High $M
35760	33.32	100	25,000	35,000	45,000	0.83	1.17	1.50
35770	75.60	100	35,000	45,000	55,000	2.65	3.40	4.16
35880	40.88	100	10,000	15,000	20,000	0.41	0.61	0.82
TOTAL	**149.80**	**100**	**NA**	**NA**	**NA**	**3.89**	**5.18**	**6.48**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

6.6 Valuation Summary

Ravensgate has concluded that the Highfields Spanish potash projects are of merit (although at varying stages of exploration and subsequent Mineral Asset classification), and worthy of further exploration or development. A summary of the Highfield's project valuation in respective ownership terms is provided in Table 18. The applicable valuation date is 4 July 2014 and is derived from using the Comparable Transactions valuation method. The value of the Highfield's Spanish potash projects are considered to lie in a range from $77.37M to $107.49M, within this range Ravensgate has selected a preferred value of $92.43M. As the technical valuation is based on comparable transactions it can be considered to also be the market value. The definition of market value that Ravensgate adopts is that used in the VALMIN code, which is the market value definition as defined by the International Valuation Standards Committee (IVSC).

Table 18 Summary Project Technical Valuation in Respective Ownership Percentage Terms						
Potash Project	Mineral Asset	Ownership %	Area km^2	Valuation		
				Low $M	Preferred $M	High $M
Javier-Vipasca Mineral Resource	Pre Development	100%	NA	44.12	51.47	58.83
Javier-Vipasca Exploration Tenure	Advanced Exploration Area	100%	57.92	2.32	3.02	3.73
Pintano Mineral Resource	Advanced Exploration Area	100%	NA	25.56	30.67	35.78
Pintano Exploration Tenure	Advanced Exploration Area	100%	108.9	1.49	2.09	2.69
Sierra del Perdón	Advanced Exploration Area	100%	149.80	3.89	5.18	6.48
TOTAL	**Various**	**100%**	**316.62**	**77.37**	**92.43**	**107.49**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

Project areas are comprised of only granted permits.

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8. GLOSSARY

anhydrite	Anhydrous calcium sulphate, $CaSO_4$. It is in the orthorhombic crystal system, with three directions of perfect cleavage parallel to the three planes of symmetry.
allochthonous	An allochthon, or an allochthonous block, is a large block of rock which has been moved from its original site of formation, usually by low angle thrust faulting.
antiform	An anticline is a fold that is convex up and has its oldest beds at its core. The term is not to be confused with antiform, which is a purely descriptive term for any fold that is convex up. Therefore if age relationships between various strata are unknown, the term antiform should be used.
assayed	The testing and quantification metals of interest within a sample.
ASX	Australian Securities Exchange
bedrock	Any solid rock underlying unconsolidated material.
bittern	A waste product of solar salt operations rich in magnesium sulphate
carnallite	An evaporite mineral, a hydrated potassium magnesium chloride with formula $KMgCl_3{\cdot}6(H_2O)$. It is variably coloured yellow to white, reddish, and sometimes colourless or blue.
conjugate	A term used to describe two sets of structural features formed at the same time but aligned in differing directions
diamond drilling	Drilling method employing a (industrial) diamond encrusted drill bit for retrieving a cylindrical core of rock.
Diagenetic / diagenesis	Literally meaning *two origins*, is the change of sediments or existing sedimentary rocks into a different sedimentary rock during and after rock formation (lithification), at temperatures and pressures less than that required for the formation of metamorphic rocks.
domain	Geological zone of rock with similar geostatistical properties; typically a zone of mineralisation
endorheic	The term referring to a landlocked, internally drained, or closed drainage basin.
Eocene	An epoch, lasting from 56 to 33.9 million years ago, is a major division of the geologic timescale and the second epoch of the Paleogene Period in the Cenozoic Era.
Epoch	A subdivision of the geologic timescale that is longer than an age and shorter than a period.
Euhedral / subhedral	Euhedral crystals are those that are well-formed with sharp, easily recognised faces. The opposite is anhedral. Anhedral crystal growth occurs in a competitive environment with no free space for the formation of crystal faces. An intermediate texture with some crystal face formation is termed subhedral.
evaporite	A water-soluble mineral sediment that results from concentration and crystallisation by evaporation from an aqueous solution. There are two types of evaporate deposits: marine, which can also be described as ocean deposits, and non-marine, which are found in standing bodies of water such as lakes. Evaporites are considered sedimentary rocks.
fault	A wide zone of structural dislocation and faulting.
FOB	Free on Board, meaning that the buyer pays for transportation (shipping) of the goods.
geochemical	Pertains to the concentration of an element.
geophysical	Pertains to the physical properties of a rock mass.

graben	A depressed block of land bordered by parallel faults.
halite	Commonly known as rock salt, is the mineral form of sodium chloride (NaCl). Halite forms isometric crystals. The mineral is typically colorless or white, but may also be light blue, dark blue, purple, pink, red, orange, yellow or gray depending on the amount and type of impurities. It commonly occurs with other evaporite deposit minerals such as several of the sulfates, halides, and borates.
horst	A raised fault block bounded by normal faults or graben.
HQ	Diamond Drilling. A core diameter of 63.5mm.
JORC Code	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
K_2O	Potassium oxide. An ionic compound of potassium and oxygen.
K60	Potassium chloride (Potash) is the most common potassium source used in agriculture. Potash is known as Muriate of Potash (MOP) with an analysis of 0-0-60. Chemical formula is KCl. Its nutrient composition is approximately: Potassium (K): 60% K_2O, Chloride (Cl): 46%.
KCl	Potassium chloride, a metal halide salt composed of potassium and chlorine.
km	kilometre(s)
km^2	Square kilometre(s)
metallurgical test work	The testing of ore samples in order to obtain the metallurgical characteristics the ore.
metamorphic	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids.
Miocene	The first geological epoch of the Neogene period and extends from about 23.03 to 5.332 million years ago.
Mt	Million Tonnes.
Oligocene	A geologic epoch of the Paleogene period and extends from about 33.9 million to 23 million years before the present.
orogeny	The process of mountain formation, especially by folding and faulting of the earth's crust.
Palaeozoic	The earliest of three geologic eras of the Phanerozoic Eon, spanning from roughly 541 to 252.2 million years ago.
potash	Any of various mined and manufactured salts that contain potassium in water-soluble form. The name derives from *pot ash*, which refers to plant ashes soaked in water in a pot, the primary means of manufacturing the product before the industrial era. The word *potassium* is derived from potash.
PQ	Diamond Drilling. A core diameter of 85mm.
QA/QC	Quality Assurance / Quality Control
regolith	The layer of unconsolidated material which overlies or covers in situ basement rock
resource	In situ mineral occurrence from which valuable or useful minerals may be recovered.
sedimentary	A term describing a rock formed from sediment.
Seismic (survey)	Vibrating controlled sources are one of the primary methods of underground exploration in geophysics. Controlled-source seismology has been used to map salt domes, faults, anticlines and other geologic traps in petroleum-bearing rocks, faults and rock types.
strike	Horizontal direction or trend of a geological structure.

sylvinite	The most important ore for the production of potash in North America and Russia. It is a mechanical mixture of sylvite (KCl, or potassium chloride) and halite (NaCl, or sodium chloride).
sylvite	Potassium chloride (KCl) in natural mineral form. It forms crystals in the isometric system very similar to normal rock salt, halite (NaCl).
syncline	A fold with younger layers closer to the center of the structure. A synclinorium (plural synclinoriums or synclinoria) is a large syncline with superimposed smaller folds.
variogram	A function describing the degree of spatial dependence of a spatial random field or stochastic process.
volcanics	Rocks formed or derived from volcanic activity.

APPENDIX 1

Summary of potassium salts and their composition (after Warren, 2006)

Mineral	Composition	K_2O%	Comments
Chlorides			
Sylvite	KCl	63.2	Principal ore mineral
Carnallite	$MgCl_2.KCl.6H_20$	16.9	Ore mineral and contaminant
Kainite	$4MgSO_4.4KCl.11H_2O$	19.3	Important ore mineral
Sulphates			
Polyhalite	$2CaSO_4.MgSO_4.K_2SO_4.2H_2O$	15.6	Ore contaminant
Langbeinite	$2MgSO_4.K_2SO_4$	22.7	Important ore mineral
Leonite	$MgSO_4.K_2SO_4.4H_2O$	25.7	Ore contaminant
Schoenite (Picromerite)	$MgSO_4.K_2SO_4.6H_2O$	23.4	Accessory
Glaserite (aphthitalite)	$K_2SO_4.(NA,K)SO_4$	42.5	Accessory
Syngenite	$CaSO_4.K_2SO4.H_2O$	28.7	Accessory
Associated minerals			
Halite	NaCl	0	Principal ore contaminant
Anhydrite	$CaSO_4$	0	Common ore contaminant
Bischofite	$2MgCl_2.12H_2O$	0	Accessory contaminant
Bloedite (astrakanite)	$Na_2SO_4.MgSO_4.2H_2O$	0	Accessory
Loewite	$2MgSO_4.2Na_2SO_4.5H_20$	0	Accessory
Vanthoffite	$MgSO_4.3Na_2SO_4$	0	Accessory
Kieserite	$MgSO_4.H_2O$	0	Common ore contaminant
Hexahydrite	$MgSO_4.6H_20$	0	Accessory
Epsomite	$MgSO_4.7H_2O$	0	Accessory
Ores			
Sylvinite	KCl+NaCl	10-35	Canada, USA, Russia, Brazil, Congo, Thailand
Hartsalz	$KCl+NaCl+CaSO_4+(MgSO_4.H_2O)$	10-20	Germany
Carnallite	$MgCl_2.KCl.6H_2O+NaCl$	10-16	Germany, Spain, Thailand
Langbeinitite	$2MgSO_4.K_2SO_4+NaCl$	7-12	USA, Russia
Mischsalz	Hartsalz=Carnallite	8-20	Germany
Kainitite	$4MgSO_4.4KCl.11H_20+NaCl$	13-18	Italy