Annual Report

30 June 2015

www.highfieldresources.com.au

ABN 51 153 918 257

1. Corporate Directory

Directors

Mr. Derek Carter (Non-Executive Chairman)

Mr. Anthony Hall (Managing Director)

Mr. Pedro Rodriguez (Executive Director)

Mr. Owen Hegarty (Non-Executive Director)

Mr. Richard Crookes (Non-Executive Director)

Company Secretary

Mr. Donald Stephens

Registered Office

169 Fullarton Road

DULWICH, SA 5065

Telephone: +61 8 8133 5098

Facsimile: +61 8 8431 3502

Website: www.highfieldresources.com.au

Share Registry

Advanced Share Registry Pty Ltd

110 Stirling Highway

NEDLANDS WA 6009

Telephone: +61 8 9389 8033

Facsimile: +61 8 9389 7871

Auditors

HLB Mann Judd

Level 4, 130 Stirling Street

PERTH WA 6000

Telephone: +61 8 9227 7500

Facsimile: +61 8 9227 7533

Stock Exchange

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: HFR

2. Introduction

2.1. About Us

Highfield Resources is an ASX-listed potash company with five 100%-owned projects located in Spain. Highfield's Muga, Vipasca, Pintano, Izaga and Sierra del Perdón potash projects are located in the Ebro potash producing basin in Northern Spain covering a Project area of over 550Km2. The Sierra del Perdón project includes two former operating mines. The Company has recently completed a definitive feasibility study for its flagship Muga Project and is working towards commencing construction in the fourth quarter of 2015.

Highfield Resources is dedicated to creating long term shareholder value and community prosperity by becoming a potash producer with a strong focus on sustainability.

Core Values

Committed to safety

Safety first. The health and safety of everyone involved in projects is a priority and is fundamental to on-going business activities.

Committed to the environment

Our committment to the environment goes beyond compliance with current legislation.

Committed to the social development of the Region

At Highfield Resources we have a firm belief in our need to contibute to the positive development of our social environment. Our Corporate Responsibility Policy is designed to ensure we obtain a positive "social license to operate" from the local community.

Committed to economic growth

Highfield Resources will create and mantain a significant number of jobs, and will substantially contribute to the development of the business fabric of the region.

2.2. Chairman's Letter

Dear Fellow Shareholders,

The 2015 financial year has been a transitional year for the Company where it is now ready to move from an exploration company to a company that is ready to commence production of its first potash mine in Northern Spain. The Company has added over 20 professionals over the course of the year to now have over 40 professionals directly employed in its head office in Pamplona, Spain. We can now confidently say we are ready to commence construction and are excited at the prospect of starting to deliver on our promise of becoming a significant global potash producer.

The 2015 financial year marked the achievement of a number of key milestones by Highfield Resources ("Highfield" or "the Company") both at its flagship Muga Mine Project ("Muga") and its pipeline of four other 100% owned projects in Spain.

Key milestones achieved during the year include:

- Delivery of a Definitive Feasibility Study ("DFS") for Muga with a post-tax NPV_{10} of US$1.42 billion;
- An upgraded Mineral Resource Estimate ("MRE") for Muga of 302 million tonnes with an average grade of 11.5% K_2O including a higher grade sub-set of 232 million tonnes at an average grade of 13.5% K_2O;
- Release of an additional Exploration Target for Muga of 127-255 million tonnes with an average grade of 12%-16% K_2O supported by the completion of geophysical surveys;
- Confirmation of electrical supply capacity with large Spanish utility Iberdrola for 60MVA to supply for Muga;
- Signing of memorandums of understandings ("MOUs") confirming port capacity with both the Port of Pasajes and the Port of Bilbao authorities;
- Lodging various applications for the mining concessions for Muga;
- Delivery of a Scoping Study for Sierra del Perdón ("SdP") with a post-tax NPV_{10} of US$527 million;
- An upgraded MRE for SdP of 82.1 million tonnes at an average grade of 10.6% K_2O;
- Exploration Target for SdP of 50-100 million tonnes of sylvinite at an average grade range of 10%-14% K_2O, and 100-250 million tonnes of carnallite at an average grade of 9%-13% K_2O;
- Delivery of a Scoping Study for the K62 by-products project at Muga with a post-tax NPV_{10} of US$222 million; and
- Secured additional permits encompassing the Vipasca and Izaga Projects and the completion of geophysical surveys at Vipasca.

As at 30 June 2015, Highfield had more than A$118 million in cash. The Company is in an extremely strong position, with no debt, and an outstanding management team that is committed to bringing the Muga Mine into production. The Company continues to engage with debt financing partners, as well as other sources of capital, and is planning to commence construction at Muga in the December quarter of 2015.

Muga is an exceptional potash asset located within a producing basin in a first world jurisdiction. Its industry low capital costs and first quartile position on the margin curve are a testament to favourable geological conditions at the Project, its geographical location and proximity to premium markets, and its access to first class local infrastructure. The completion of the DFS and ongoing engineering provides a clear pathway to production which is further supported by the current financial position of the Company.

Highfield also owns 100% of four other potash projects; Sierra del Perdón, Vipasca, Pintanos and Izaga. All of these projects share similar characteristics with the Muga project and will be important in ensuring we achieve our broader corporate objective of producing two million tonnes of potash by 2020.

I would like to thank my fellow board members, the management team and all of our employees for their efforts during the 2015 financial year. I also extend my sincere appreciation to our shareholders for their support and look forward to our shared success in the future.

Yours faithfully

Derek Carter

2.3. Board of Directors

Derek Carter
Non Executive Chairman
BSc, MSc, FAusIMM (CP)

Anthony Hall
Managing Director
BBus, LLB(Hons), AGIA

Pedro Rodríguez
Development Director
BSc, MSc

Richard Crookes
Non Executive Director
BSc (Geology), Grad Dip
Applied Finance

Owen Hegarty
Non Executive Director
BEc (Hons), FAusIMM

Donald Stephens
Company Secretary
BA (Acc), CA

2.4. Directors' Report

The Directors present their report for Highfield Resources Limited ("Highfield Resources", "Highfield" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2015.

Directors

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

Mr. Derek Carter

Non-Executive Chairman, BSc, MSc, FAusIMM(CP)

Mr. Carter has over 40 years' experience in exploration and mining geology and management. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur Gold Ltd in 1993. He is currently Chair of Minotaur Exploration Ltd and a non-executive director of Intrepid Mines Ltd (formerly Blackthorn Resources Ltd). He was a former board member of Petratherm Ltd (resigned 31 March 2014 and Chair), Toro Energy Ltd (resigned 28 November 2012) and Mithril Resources Ltd (resigned 31 December 2014).

Mr. Carter is a former President of the South Australian Chamber of Mines and Energy, former board member of the Australian Gold Council, is a member of the South Australian Resources Development Board and the South Australian Minerals and Petroleum Experts Group, and a former Chairman of the Minerals Exploration Advisory Group. He was awarded AMEC's Prospector of the Year Award (jointly) in 2003 and is a Centenary Medallist.

Mr. Anthony Hall

Managing Director, BBus, LLB (Hons), AGIA

Mr. Hall has 20 years' broad commercial experience in venture capital, strategy, risk management, legal services, company secretarial and compliance. He was the founding Managing Director of Highfield Resources in October 2011 and has held that role ever since. Prior to October 2011 he was Head of Strategy and Business Development of Lend Lease Solar (part of the ASX listed Lend Lease Company (Lend Lease)). In this role he was responsible for setting the strategy of the newly created entity and positioning the entity for growth in the emerging renewable energy market in Australia.

During his employment with Lend Lease, Mr. Hall worked in the venture capital subsidiary where his responsibilities included setting investment strategies in targeted market sectors, reviewing and assessing global entities involved in these sectors, executing investments in these entities and ongoing involvement in investee entities. He was also of Head of Risk for the Australian development business and worked in in-house legal and company secretarial roles.

Mr. Hall has a Bachelor of Laws with honours and a Bachelor of Business degree from the University of Technology, Sydney, a graduate diploma in Applied Finance and Investment from the Financial Services Institute of Australia and is a legal practitioner of the Supreme Court of NSW and an Associate of the Governance Institute of Australia.

Mr. Pedro Rodriguez

Executive Director, BSc, MSc

Mr. Rodriguez has over 35 years' experience in mining services in Spain. Over his career Mr. Rodriguez has worked with six international mining companies in Spain (Peñarrolla Spain-SMMPE, Billiton International, Navan-Almagrera, Newmont Spain, Ormonde Mining and Heemskirk Consolidated Limited). His roles ranged from exploration geologist to Managing Director of Navan´s Spanish business where he was responsible for the development and operations of mines in Spain.

Mr. Rodriguez has been with Highfield Resources since October 2012 as the Company´s Development Director. Prior to his appointment with the Company he had direct responsibility to the Board of Directors of Almagrera SA for delivering a mining chemical complex with more than 460 direct employees and sales of over US$50 million per annum. The complex presently produces more than 1.4 million tonnes per annum of copper, zinc and lead, and 300,000 tonnes per annum of sulphuric acid.

Mr. Richard Crookes

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

Mr. Crookes has over 28 years' experience in the resources and investments industries. He is a geologist by training having worked in the industry most recently as the Chief Geologist and Mining Manager of Ernest Henry Mining in Australia (now Glencore). Prior to Mr. Crookes joining EMR Capital as an Investment Director he was an Executive Director in Macquarie Bank's Metals Energy Capital (MEC) Division where he managed all aspects of the Bank's principal investments in mining and metals companies as well as the origination of numerous Project Finance transactions.

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

Mr. Owen Hegarty

Non-Executive Director, BEc (Hons), FAusIMM

Mr. Hegarty has over 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.

Mr. Hegarty is the Chairman of specialist resources private equity firm, EMR Capital, Highfield's largest shareholder and cornerstone investor. In 2006, Mr. Hegarty was awarded the AusIMM Institute Medal and in 2008 the G.J. Stokes Memorial Award for his achievements and leadership in the mining industry.

Mr. Hegarty is a director of various listed and unlisted resources companies including Hong Kong listed G-Resources Group Ltd, Fortescue Metals Group Ltd, Tigers Realm Coal Limited and EMR Capital. He is also a Director of the AusIMM, and a member of a number of Government and industry advisory groups.

Mr. Donald Stephens

Company Secretary, BA(Acc), CA

Mr. Stephens has over 25 years' experience in the accounting, mining and services industries, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a Chartered Accountant and corporate adviser specialising in small cap ASX listed entities.

Mr. Stephens is a director of Mithril Resources Limited, Petratherm Limited, Papyrus Australia Limited, Lawson Gold Limited and Reproductive Health Science Limited. Additionally he is Company Secretary of Mithril Resources Limited and Minotaur Exploration Limited and various other unlisted public companies.

Interests in the securities of the company

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

Director	Ordinary Shares	Class B Performance Shares	Options - exercisable at $0.20 each on or before 1-Nov-16	Options - exercisable at $0.40 each on or before 31-May-17	Options - exercisable at $0.75 each on or before 11-Sept-18
Derek Carter	8,321,504	5,510,752	-	1,500,000	1,500,000
Anthony Hall	40,001	-	2,400,000	2,500,000	-
Pedro Rodríguez	7,521,504	5,510,752	-	1,500,000	1,000,000
Owen Hegarty	-	-	-	-	-
Richard Crookes	-	-	-	-	-

Results of operations

The Company's net loss after taxation attributable to the members of Highfield Resources for the year to 30 June 2015 was $9,436,325 (2014: $5,526,038).

Dividends

No dividend was paid or declared by the Company during the year and up to the date of this report.

Corporate structure

Highfield Resources Limited is a company limited by shares, which is incorporated and domiciled in Australia.

Nature of operations and principal activities

The principal activity of the Company during the financial year was mineral exploration.

Review of operations

Highfield Resources is a potash company listed on the Australian Securities Exchange with five 100% owned advanced potash projects located in Spain´s potash producing Ebro Basin.

Muga Mine Project

The Company's flagship Muga Potash Project is targeting the relatively shallow sylvinite beds in the Muga Project area that cover about 80km². Mineralisation commences at depths from surface of less than 200m and appears ideal for a relatively low-cost conventional mine accessed via a dual decline, as demonstrated in the Company's DFS that was completed in March 2015.

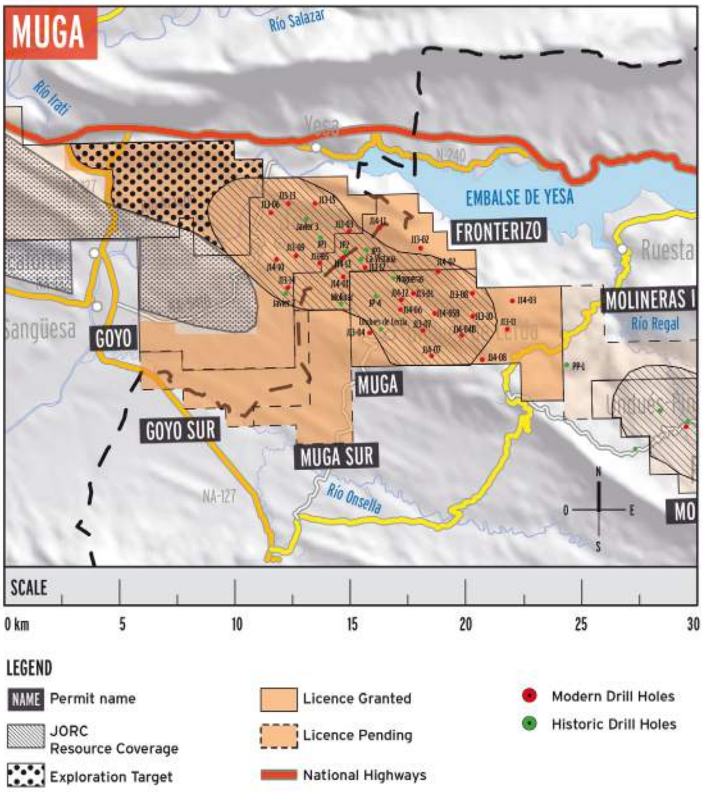

Figure 1: Map of Highfield´s Muga Potash Project

Definitive Feasibility Study and Reserve Estimate

A Definitive Feasibility Study (DFS) for the Muga Potash Project was completed during the year. Highlights include:

- Post tax unlevered project NPV10 of US$1.42 billion
- Post tax, unlevered IRR of 51.9%
- EBITDA in first full year of production of US$296 million (EBITDA margin of 66%)
- Ore Reserve of 146m tonnes at average grade of 12.73% K_2O
- Initial 24-year mine life based solely on reserves
- Proposed mine is a technically robust underground conventional room and pillar operation accessed via twin declines which enhances operational efficiency and reduces risk
- Average yearly, steady state production of 1.123m tonnes of granular K60 potash with operational expenditure ("opex") in full production estimated at US$135/tonne
- Independent expert spot potash prices discounted by 10% for contract pricing and sales and marketing fees delivering a 2017 FOB Vancouver standard product reference price of US$315 / tonne in real terms
- Pre-production capital cost estimated at US$256 million including a 12.5% contingency
- Total capital cost estimated at US$354 million including 12.5% contingency
- Initial construction remains on track to commence in Q4 2015

The DFS confirmed the potential of Muga as a long-life, high-margin operation. It built upon the Pre-Feasibility Study completed in May 2014, and confirmed Muga's technical viability and its ability to deliver robust financial returns under various sensitivities.

The DFS was based on extracting 138m tonnes of the sylvinite Ore Reserve at an average grade of 12.75% K_2O. The 138m tonnes was derived from the total Ore Reserve of 146m tonnes of sylvinite at an average diluted grade of 12.73% K_2O calculated by independent Spanish based consultants Consultores Independientes en Gestión de Recursos Naturales SA ("CRN"). CRN is an independent consultant highly experienced with Spanish potash mining.

The Ore Reserve was derived from the high grade sub-set of the Mineral Resource Estimate of 232m tonnes at an average grade of 13.5% K_2O, prepared by independent US-based Agapito Associates, as part of the Muga-Vipasca resource upgrade announced on 24 February 2015.

Updated Mineral Resource Estimate

The overall updated JORC Mineral Resource Estimate for Muga-Vipasca is 302m tonnes with an average grade of 11.5% K_2O, which reflects an increase in both tonnes and grade on the 16 May 2014 estimate of 268m tonnes at 11.2% K_2O. Measured and Indicated categories have increased by 52% to 239m tonnes at an average grade of 11.3% K_2O.

More details can be found in the DFS summary released to the ASX on 30 March 2015 and the resource upgrade announced on 24 February 2015.

Utilities

Highfield has received confirmation from Iberdrola Distribución ("Iberdrola") that it will reserve up to 60MVA of electrical supply at its Rocaforte substation near the town of Sangüesa for the Muga mine. The substation is less than 9km from the proposed Muga above-ground installation.

Highfield will use 40MVA of capacity for its initial operations at Muga, with 20MVA reserve capacity to provide expansion options in the future.

Land Options

Highfield has signed binding option contracts for the acquisition of land required for the entire surface installations and mine portals for the decline access for the Muga mine. These contracts should allow Highfield to commence construction of infrastructure at Muga in the December quarter of 2015.

The Company continues to discuss alternatives for the additional land required for the long-term tailings facilities, but expects to have these areas secured well in advance of Q2 CY2017 when they will be required as part of operations.

Mining Concession Application Lodged

The Company has lodged its mining concession application for its Muga Potash mine. The mining concession application was lodged with the relevant jurisdictions as announced on 11 December 2014.

The application is for the simultaneous construction of two declines / ramps to an underground conventional sylvinite mine accessed at depths from surface of less than 300m. The mine will commence with two underground operational fronts, together delivering the equivalent of 400 tonnes per hour of ore to the processing plant. Approximately nineteen months later, the size of the operation will be increased to an equivalent of 800 tonnes per hour of ore. In full operation, the mine will be able to produce over 1m tonnes of K60 product per annum.

The initial mine life was estimated at 19 years, with likely upside represented by recent drilling success and substantial unexplored permit areas. The current estimate is 24 years.

The mining concession application required extensive documentation and included an Environmental Impact Assessment (EIA) and Mineral Extraction Plan. The environmental approval process was initiated in May 2014 when the Company lodged its Memoria Resumen (EIA statement of intent) with the provinces of Aragón and Navarra and Spain's Central Government in Madrid.

Memorandum of Understanding Agreed with Port of Pasajes

The Company has spent considerable time and effort reviewing options for the transportation of product from its Muga mine to its key addressable markets. The Company announced it had signed a non-binding Memorandum of Understanding ("MOU") for port capacity with the Port Authority of Pasajes ("Pasajes"). Pasajes is located approximately 150km north of Muga, by multi-lane national highway, and is one of the largest commercial ports in the region.

The MOU gives a non-binding commitment of port capacity for the entire product that is expected to be produced and exported from Muga and confirms the availability of significant port capacity. This is an important step in the Company's path to commercialisation and, in particular, its strategy of selling granular product to the deep Brazilian seaborne potash market and northwest European market.

At the time of signing the MOU, the Company also announced it was in negotiations with the Port Authority of Bilbao for an agreement providing for similar facilities to give the Company further optionality in optimising its logistics solutions. The Company also announced the signing of an MOU with the Port of Bilbao. Refer ASX announcement ("Highfield Resources Signs MOU with Port of Bilbao") dated 20 January 2015 for further details.

Muga Mine Approvals Process

The Company´s mining concession application for a two decline potash mine producing around 1.13m tonnes of K60 potash product per annum is currently being assessed by the Mining Department of the Central Government based in Madrid. As is the case with all mining concession applications, the Environment Department is charged with reviewing the Environmental and Social Impact Assessment (ESIA) prepared by the Company and providing a positive or negative Determination (DIA).

The community consultation period concluded on 24 August 2015. The Company is then asked to provide further information where relevant to respond to any feedback. Once this information is provided the Environment Department is required to make a Determination within three months.

Based on feedback received to date, the Company continues to believe it will be in a position to commence construction of the Muga Mine in Q4 of the current calendar year.

Exploration Target* and Completion of Gravimetric Surveys

Based on 38 exploration drill holes completed within the Project area (11 historic, 27 completed by Highfield), the Company announced an Exploration Target of 127 to 255 million tonnes at 12 to 16% K_2O (refer to ASX Announcement dated 19 June 2015) (Table 1).

Table 1: Muga Project Exploration Target

	TONNAGE (million tonnes)			GRADE (% K20 GRADE)		
	LOW	BASE	HIGH	LOW	BASE	HIGH
CAPA 1	63	95	127	12	14	16
CAPA 2	63	95	127	12	14	16
TOTAL	**127**	**191**	**255**	**12**	**14**	**16**

The Exploration Target encompasses the Capa 1 and Capa 2 seams (two of five seams encountered across the Project) and excludes any of the other project areas contiguous with the Muga Project. The Company chose to exclude the Capa 0, Capa A and Capa B from the Exploration Target, however, it believes continuity could exist in these three seams, mainly Capa B. These seams do not appear to be as thick nor as high grade as the Capa 1 and Capa 2.

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

K62 & SALT BY-PRODUCTS

Highfield released a Scoping Study for the K62 Potash Project on 1 May 2015. Highlights of the study included:

- Post tax, unlevered NPV10 of US$222 million
- Post tax, unlevered IRR of 33.0%
- EBITDA of US$56 million in first full year of production
- Initial 24-year operational life, in-line with Muga DFS
- Proposed installation of a conventional crystallisation plant to treat slimes tailings produced by the Muga Mine's flotation processing plant
- Average yearly production of approximately 135k tonnes of granular K62 potash and a by-product of approximately 260k tonnes of high-purity vacuum salt
- Independent expert spot potash prices discounted by 10% for contract pricing and sales and marketing fees delivering a 2017 FOB Vancouver standard product reference price of US$315 / tonne in real terms
- Capital cost estimated at US$124 million, inclusive of a 20% contingency.
- Operational margins of approximately 65% in full production

A summary of the Scoping Study can be found attached to the ASX announcement dated 1 May 2015.

Sierra del Perdón

Highfield´s 100%-owned Sierra del Perdón Project is located less than 10km from Pamplona and is within 40km of the Company´s flagship Muga Project.

Sierra del Perdón is a brownfield project which has hosted two former operating potash mines. The evaporite was historically mined primarily for sylvinite but also for carnallite, before mine closure in late 1996 due to relatively low potash prices of around US$100/ tonne. There is potential for potash exploitation in new, unmined areas in the Sierra del Perdón Project area and for limited additional production from brownfield (adjacent to historically mined) areas.

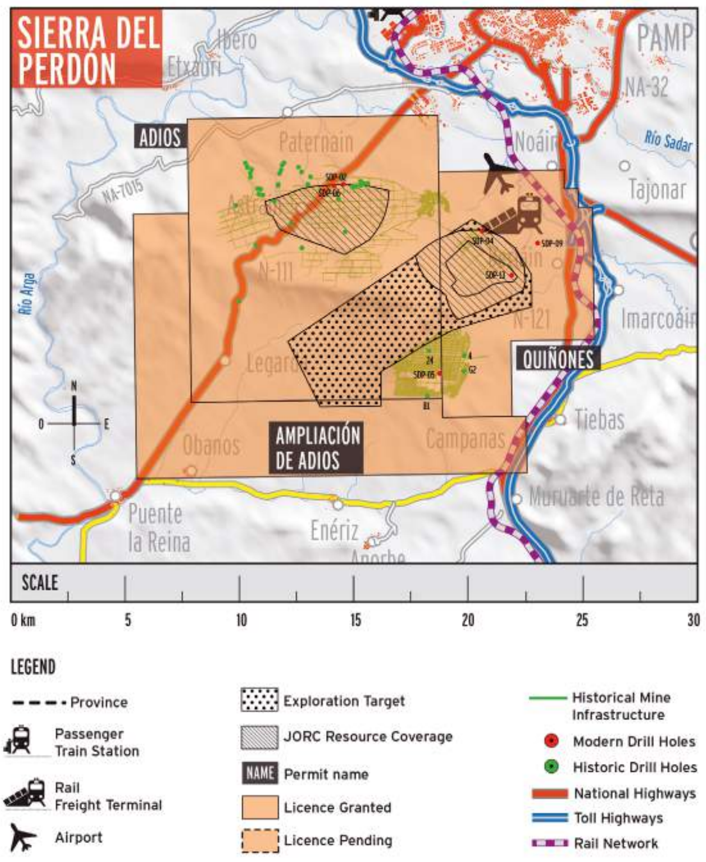

Figure 2: Map of Highfield´s Sierra del Perdón Potash Project

Scoping Study

Highfield released a Scoping Study for the Sierra del Perdón Project on 20 April 2015. Highlights of the study included:

- Post tax, unlevered NPV10 of US$527 million
- Post tax, unlevered IRR of 38.5%
- EBITDA of US$120 million in first full year of production
- Initial 20-year mine life, significant upside with ongoing exploration
- Proposed mine is a decline-accessed conventional, underground, room and pillar operation with flotation circuit processing
- Average yearly, steady state production of approximately 520k tonnes of granular K60 potash with cash operational expenditure in full production estimated at US$155/tonne (including transport costs to target markets)
- Independent expert spot potash prices discounted by 10% for contract pricing and sales and marketing fees delivering a 2017 FOB Vancouver standard product reference price of US$315 / tonne in real terms
- Capital cost estimated at US$233 million, inclusive of a 20% contingency

The Scoping Study was based on the Mineral Resource Estimate prepared by Agapito Associates, Inc. as detailed below.

A summary of the Scoping Study can be found attached to the ASX announcement dated 20 April 2015.

While Highfield is focused on developing the Muga project, Sierra del Perdón appears to be a strong second project.

JORC Mineral Resource Estimate

Independent geology and mining consultant, Agapito Associates Inc, prepared a JORC maiden resource estimate on Sierra del Perdón, delivering:

- Indicated Mineral Resource estimate of 41.8m tonnes at 10.7% K_2O
- Inferred Mineral Resource estimate of 40.3m tonnes at 10.5% K_2O

The Company also announced an Exploration Target estimated at:

- 50m to 100m tonnes of sylvinite at 10% to 14% K_2O
- 100m to 250m tonnes of carnalite at 9% to 13% K_2O

The Mineral Resource was estimated using a computer 3D gridded-seam geologic (block) model constructed with Mintec Inc. MineSight 3D© v9.0 software. Historical and modern data for the property were reviewed by the CPs for quality and completeness. Data used in the model included historic and modern drill hole logs and assays, historic and modern interpretations of 2D seismic surveys, surface topography in the form of a digital elevation model (DEM), permit boundary lines, historic resource analysis, historic geological surface mapping, and historical mining records from the Potasas de Navarra and Potasas de Subiza mines.

Exploration Target

The Sierra del Perdón Exploration Target comprises 23 exploration core holes covering an area of approximately 44km^2, illustrated in Figure 2. The total Exploration Target (Table 2) is estimated to contain between 100 and 250 million tonnes of potash in the carnallite beds (CU and CL) ranging in average grade from 9 to 13% K_2O, and between 50 and 100Mt of potash in the sylvinite bed (SYL) ranging in average grade from 10 to 14% K_2O. Approximately half of the carnallite Exploration Target in the CU and CL beds is estimated to overlie old workings of the Potasas de Navarra and Potasas de Subiza mines in the SYL bed. For more detail, refer to the ASX Announcement dated 7 April 2015.

Additional drilling is recommended in the Sierra del Perdón area and up to five holes are proposed to be drilled in 2015. Potash beds CU, CL and SYL are targeting in upcoming drilling, with depths expected to range from 100m to 1400m.

Vipasca

The Vipasca Project area includes the majority of the Vipasca permit, the entire Borneau permit and half of the Osquia permit. The focus is on the deeper higher-grade potash mineralisation that occurs in the P1 and P2 potash bed in the Muga sub-basin that runs along strike to the north-west into the Vipasca permit area.

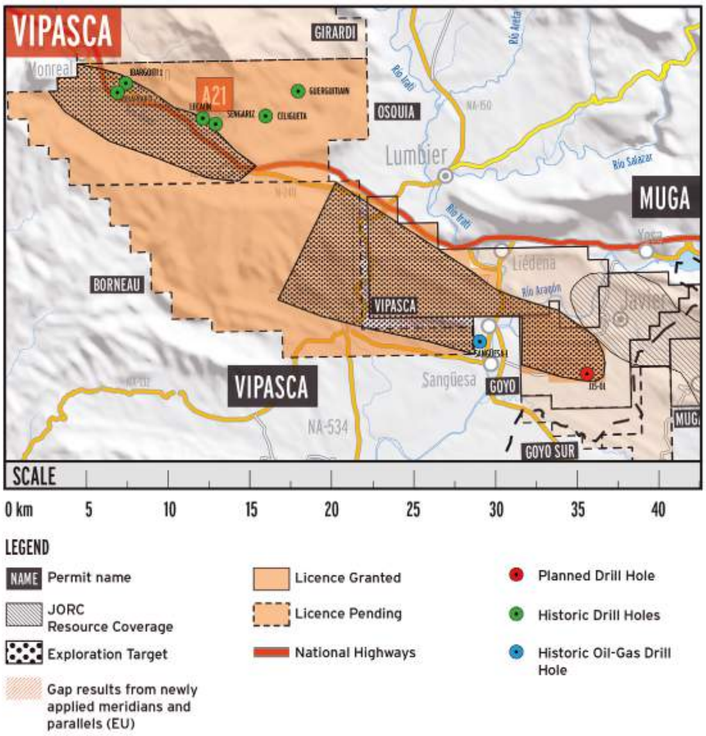

Figure 3: Vipasca Project map

New Permits

On 27 April 2015, the Company applied for the Borneau and Osquia Investigation Permits with a view to extending the Vipasca Project to the north-west.

The Borneau Investigation Permit covers an area of 78km2, whilst the Osquia Investigation Permit covers an area of 79km2.

Geophysical Studies

During the period, the Company commissioned Spanish based expert GESSAL to complete structural reinterpretation of the Vipasca Project area and its surrounds, which seeks to identify the different geological units including the potash bearing evaporite and the main structures that affect them at depth.

The reinterpretation was based on 30 historical 2D-seismic lines shot at the Project, in combination with a deep hole drilled for oil and gas exploration purposes in the 1960s ("Sangüesa-1"), and eight diamond holes drilled by Adaro in the 1970s.

Based on this work, GESSAL believes the primary potash-bearing evaporite unit should continue into the Rocaforte Syncline and in an area situated to the south of the Loiti Fault within the Osquia Permit. The PP-22 profile, in particular, shows the good continuity of the key horizons in the project area, especially the evaporite horizon. It also provides a better understanding of the primary and secondary structures in the deeper parts of the deposit.

The conclusion of the structural report by GESSAL is that the extension of the evaporite unit is highly likely to extend in several areas of the Vipasca Project area at depths of less than 1,500 metres. The Company will seek to confirm this hypothesis with further exploration drilling and geological fieldwork.

Exploration Target

The Vipasca Exploration Target was released in August 2014. The Exploration Target was divided into two smaller potential areas: the Rocaforte Target, which covers an area of approximately 60km^2; and the Osquia Target with an area of approximately 31km^2.

The Rocaforte Exploration Target area is limited in its southern extent by the increasing interpreted depth of the evaporite unit (limited for the purposes of the Exploration Targets at 1,500 metres below surface) and to its northern extent by the controlling Loiti fault. The Osquia Exploration Target is limited in its southern extent by a controlling structure.

The Rocaforte Target covers parts of the Goyo, Vipasca and Borneau Investigation Permits. The Osquia Target is located in the area to the South of the Loiti Fault within the Osquia Investigation Permit. Both areas within the Exploration Target are anticipated to encounter the Capa B, Capa 1 and Capa 2 seams, which are prevalent across the Navarran sub-basin of the broader Ebro Basin.

Grade ranges used in the Muga Exploration Target for seams Capa 1 and 2, and the grade ranges for the Muga drilling campaigns for seam Capa B were used to estimate the Exploration Targets.

Table 2. Rocaforte Exploration Target

	TONNAGE (million tonnes)			K20 GRADE (%)		
	MIN	BASE	MAX	LOW	BASE	HIGH
CAPA B	64	192	319	9	11	13
CAPA 1	128	319	511	12	14	16
CAPA 2	128	255	383	12	14	16
TOTAL	**319**	**766**	**1,213**	**11.4**	**13.3**	**15.2**

Table 3. Osquia Exploration Target

	TONNAGE (million tonnes)			K20 GRADE (%)		
	MIN	MEDIUM	MAX	LOW	BASE	HIGH
CAPA B	33	99	166	9	11	13
CAPA 1	66	166	265	12	14	16
CAPA 2	66	133	199	12	14	16
TOTAL	**166**	**398**	**629**	**11.4**	**13.3**	**15.2**

Table 4. Total Exploration Target

	TONNAGE (million tonnes)			K20 GRADE (%)		
	MIN	BASE	MAX	LOW	BASE	HIGH
CAPA B	97	290	484	9	11	13
CAPA 1	193	484	774	12	14	16
CAPA 2	193	387	580	12	14	16
TOTAL	**484**	**1,161**	**1,838**	**11.4**	**13.3**	**15.2**

Planned Exploration

The Company anticipates commencing an exploration campaign in the coming months, with initial drilling results to test the Rocaforte Target expected in Q4 CY2015. The first hole to be drilled is planned to be J15-01, as marked in Figures 2 and 3.

The results from this drill hole will be used to determine the locations of a wider drilling campaign scheduled to be commenced later in the current calendar year or early in calendar year 2016.

Pintanos

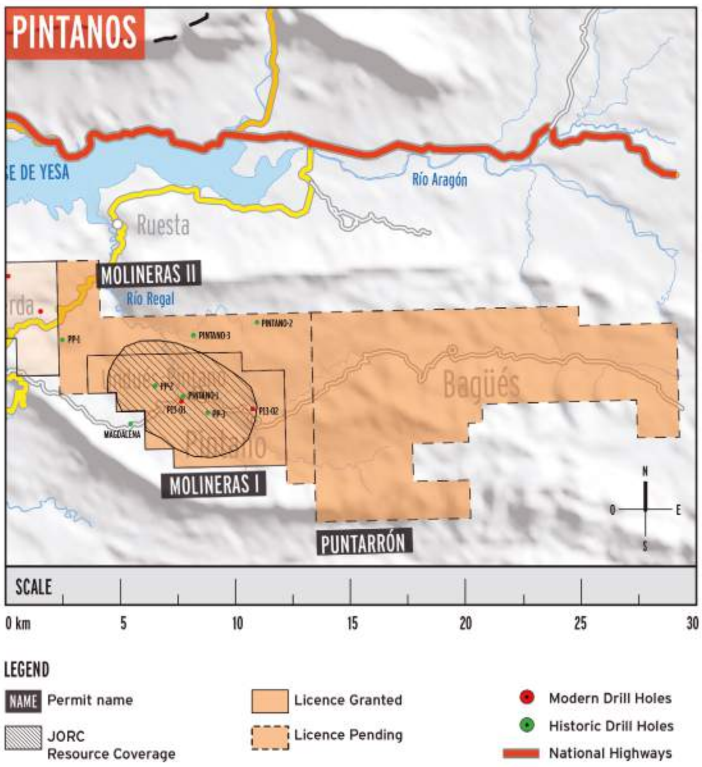

Figure 4: Pintano Project area showing potash exploration drill holes and JORC Resource estimate

Highfield´s 100%-owned Pintano Project abuts the Muga Project and covers an area of 65km². Depths from surface to mineralisation commence at around 500m. The Company is building on substantial historical potash exploration information that includes seven drill holes and 10 seismic profiles completed in the late 1980s.

There was limited activity on the Pintano Project during the year given the Company's focus on the Muga Project.

Izaga

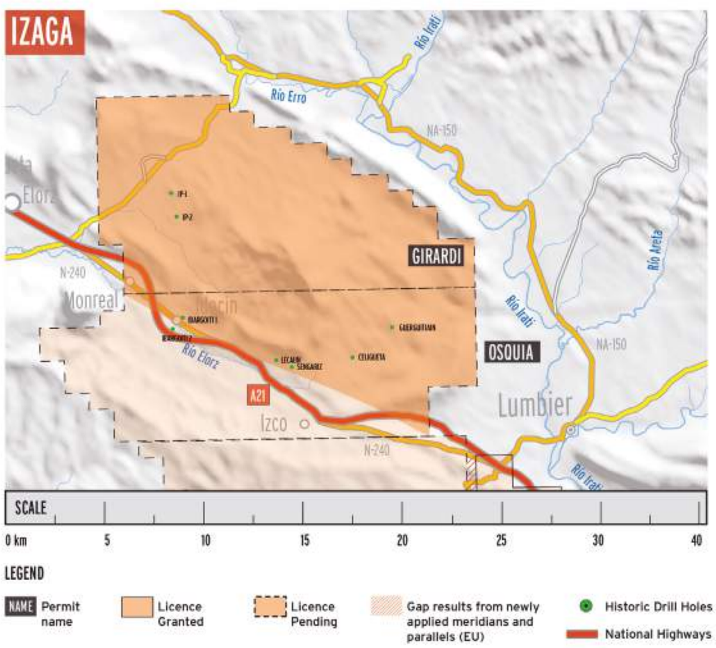

Figure 5: Izaga Project map showing historical drill holes

The Izaga Project covers an area of more than 100km², where historic drill holes and 2D seismic show a relatively continuous evaporite with drill hole intersects containing potash. With further positive exploration results, the Project could display similar attributes to the Muga Project.

New Permits

On 27 April 2015 the Company applied for the Girardi Investigation Permit, which covers an area of 76km². This permit adjoins the northern area of the Osquia Permit to complete the new Izaga Potash Project. The Project is located in a syncline structure abutting the northern extent of the expanded Vipasca Project.

Corporate

Human Resources

The Company continues to hire in key positions for its project delivery team in anticipation of the commencement of construction in FY2016. As at 14 August 2015, the Company had over 45 professionals employed directly, a majority of which are based at its headquarters in Pamplona, Spain.

Spanish project appointments include:

- Alfredo L. Menéndez Diaz as Executive General Manager – Construction
- Michael X. Schlumpberger as Executive General Manager – Operations
- Luis Haro as Mining Engineer
- Jose Maria Ballester as Electrical Engineer
- Pedro Gómez who is responsible for delivering the transport and logistics solutions, and
- David Begué, who is responsible for buildings and facilities.

Spanish corporate appointments include:

- Hayden Locke as Head of Corporate Development
- Jose Angel Torres as Financial Controller
- Kien Huynh as General Manager, Finance, to manage the project finance process;
- Ricardo Peréz as Head of Strategy, Salt to progress the salt business case;
- Susana Bieberach as in Country Communications and Marketing Manager; and
- Philip Cleggett as Senior Corporate Analyst.

The Company is currently working through a process to appoint two independent directors to the Board to enhance Board composition and skills as the Company moves into the construction of its first potash mine.

Institutional Equity Placements

On 12 September 2014, the Company received shareholder approval to complete an institutional equity placement (Placement) of 65 million new fully paid ordinary shares to raise $31.95 million. Funds for the first tranche of 20.33 million shares were received during FY2014. Funds for the second tranche of 44.68 million shares were received during Q1 FY2015.

On 15 May 2015, the Company completed a placement raising approximately $101 million via the issue of 56.13 million new fully paid ordinary shares at an issue price of $1.80 per share to institutional and sophisticated investors in Australia, Asia, Europe and North America. The proceeds from the Placement will be used to substantially fund the likely equity component of the pre-production capital expenditure of the Company's flagship Muga Potash Project.

Class A Performance Shares

On 24 February 2015, the Company advised that the Class A Performance Shares that were issued to the vendors of the Spanish projects, KCL Resources Ltd shareholders, were converted to ordinary shares. In addition to the conversion of the Class A Performance Shares, the Company also allotted 1.5 million Ordinary Shares under the terms of a corporate advisory agreement relating to the acquisition by the Company of the four Spanish potash projects.

Corporate Responsibility Program

As part of the Company's Community Engagement Program, it established a non-profit Foundation called the Geoalcali Foundation, to develop and manage local social and community projects. The Foundation was constituted during the year and has commenced its activities with "OrganiK", a collaboration project with Josenea, a local, non-profit association that provides employment opportunities for the long-term unemployed, through the organic farming, processing, distribution and sale of organic herbs, infusions and other similar products.

As well as providing work for marginalised workers, Josenea fosters various educational programs. It will use the collaboration with the Company to develop a nursery area for trees and shrubs that will later be used as part of the landscaping for the future mine installations. In addition, the nursery program will test different levels of potash application on speciality regional crops.

The Foundation also collaborated with Aspace, a highly respected Spanish foundation dedicated to helping people with special needs. During the year the Foundation contributed to a project to improve the safety for operators of a conveyer belt in the Ecointegra recycling plant in Navarra.

The Foundation also supported various cultural events in the regions of Navarra and Aragón.

Significant changes in the state of affairs

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

Significant events after the reporting date

On 11 August 2015 the Company issued 3,000,000 unlisted options to staff pursuant to the Company's Employee Share Option Scheme and to consultants to provide consideration for services rendered to date and over the coming 12 months. The options are exercisable at $2.00 each on or before 30 June 2019.

On 27 August 2015 the Company signed a project finance mandate for the Muga Mine with four major European commercial banks. All four banks have received initial internal approvals to participate in long term Project Finance Facilities of up to €222m on a debt to equity ratio of up to 65%.

Likely developments and expected results of operations

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

Environmental regulations and performance

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

Share options

As at 30 June 2015 there were 37,800,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price $	Expiry Date
7,000,000	$0.40	31-May-17
2,400,000	$0.30	31-Jan-17
4,000,000	$0.20	19-Oct-16
4,400,000	$0.20	1-Nov-16
500,000	$0.60	30-Jun-17
500,000	$0.60	31-Jan-17
4,750,000	$0.75	30-Jun-18
9,500,000	$0.75	11-Sep-18
750,000	$1.00	30-Jun-18
4,000,000	$1.25	30-Jun-18
37,800,000		

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

1,600,000 options with an exercise price of $0.20, expiring on 1 November 2016 were exercised during the financial year.

600,000 options with an exercise price of $0.30, expiring on 31 January 2017 were exercised during the financial year.

At the General Meeting held on 12 September 2014 shareholders approved the issue of 2,000,000 options to Managing Director Anthony Hall and 1,500,000 options to Development Director Pedro Rodriguez. The options over fully paid ordinary shares were exercisable at $0.75 on or before 12 September 2018 and were subject to the following vesting condition:

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

The vesting condition was not met and as a result the options lapsed.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Derek Carter	12	12
Anthony Hall	12	12
Pedro Rodriguez	12	12
Richard Crookes	12	11
Owen Hegarty	12	9

Proceedings on behalf of company

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

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Highfield Resources Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Highfield Resources is in compliance to the extent possible with those guidelines, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

The Company has established a set of corporate governance policies and procedures and these can be found within the Company's Corporate Governance Plan located on the Company's website: www.highfieldresources.com.au.

Auditor independence and non-audit services

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Highfield Resources with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 68 of the annual report. There were no non-audit services provided by the Company's auditor.

Audited remuneration report

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of Highfield Resources Limited for the financial year ended 30 June 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Details of Key Management Personnel

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*

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter and Remuneration Policy.

Prior to the current financial year, the rewards for Directors had no set or pre-determined performance conditions or key performance indicators as part of their remuneration given the nature of the business operations with the exception of options issued to Directors and executive management. Details are set out in note 20. After benchmarking and detailed consideration, the Board has approved the following remuneration guidelines for the current financial year (FY 2016):

Level	Cash Remuneration	Short Term Incentive	Long Term Incentive
Chairman	A$90,000	Nil	1m share options
Managing Director	Up to A$525,000	Up to 80% of cash remuneration	Up to 4m share options
Executive Director	Up to A$400,000	Up to 60% of cash remuneration	Up to 2m share options
Non-Executive Director	A$60,000	Nil	1m share options
Senior Executives	Up to A$400,000	Up to 60% of cash remuneration	Up to 2m share options
Other Employees	Up to A$300,000	Up to 40% of cash remuneration	Up to 1m share options

Key Performance Indicators (KPIs)

For the current financial year KPIs are agreed and assessed under the following guidelines:

- 50% against objective deliverables;
- 30% against corporate and strategic objectives at a Company level; and
- 20% against cultural deliverables including approach to safety, value engineering and participation in mentoring programs

The Company has no policy on executives and Directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

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

As at 30 June	2015	2014	2013	2012
Loss per share (cents)	(4.38)	(4.12)	(4.22)	(1.11)
Share Price	$1.48	$0.575	$0.36	$0.19

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company for the year ended 30 June 2015 are as follows:

2015	Short term			Options	Post employment		Total $	Option related
	Base Salary $	Directors Fees $	Consulting Fees $	Share Based Payments $	Superannuation $	Prescribed Benefits $		
Directors								
Derek Carter	-	-	159,993	405,957	-	-	565,950	72%
Anthony Hall	-	-	312,501	541,277	-	-	853,778	63%
Pedro Rodriguez	-	-	287,445	270,638	-	-	558,083	48%
Richard Crookes	-	60,000	-	270,638[1]	-	-	330,638	82%
Owen Hegarty	-	60,000	-	270,638[1]	-	-	330,638	82%
Key Management								
Donald Stephens	-	-	98,912	135,319	-	-	234,231	58%
	-	**120,000**	**858,851**	**1,894,467**	-	-	**2,873,318**	

[1] To ensure compliance with EMR's internal governance and policies, Mr Hegarty and Mr Crookes requested that the issue of options to them for services they provide as Directors are issued to nominee entities within the EMR group.

There were no other executive officers of the Company during the financial year ended 30 June 2015.

2014	Short term			Options	Post employment		Total $	Option related
	Base Salary $	Directors Fees $	Consulting Fees $	Share Based Payments $	Superannuation $	Prescribed Benefits $		
Directors								
Derek Carter	-	-	141,666	140,041	-	-	281,707	50%
Anthony Hall	-	-	285,834	243,319	-	-	529,153	46%
Pedro Rodriguez	-	-	266,094	140,041	-	-	406,135	34%
Richard Crookes	-	34,167	-	-	-	-	34,167	-
Owen Hegarty	-	34,167	-	-	-	-	34,167	-
Scott Funston	-	-	60,000	93,360	-	-	153,360	61%
Jonathan Murray	-	8,333	-	23,340	-	-	31,673	74%
Key Management								
Aaron Bertolatti	-	-	-	23,340	-	-	23,340	100%
Donald Stephens	-	-	24,014	-	-	-	24,014	-
	-	**76,667**	**777,608**	**663,441**	-	-	**1,517,716**	

There were no other executive officers of the Company during the financial year ended 30 June 2014.

Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each Director and specified executives of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting year as compensation.

2015	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Derek Carter	5,510,752	-	-	2,810,752	8,321,504
Anthony Hall	40,001	-	1,600,000	(1,600,000)	40,001
Pedro Rodriguez	5,510,752	-	-	2,010,752	7,521,504
Owen Hegarty	-	-	-	-	-
Richard Crookes	-	-	-	-	-
Donald Stephens	2,150,538	-	-	2,150,538	4,301,076

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

Option holdings of Key Management Personnel

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Highfield Resources Limited and specified executives of the Group, including their personally related parties, are set out below:

2015	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Derek Carter	1,500,000	1,500,000	-	-	3,000,000	1,500,000	-
Anthony Hall	6,500,000	2,000,000	(1,600,000)	(2,000,000)	4,900,000	4,900,000	-
Pedro Rodriguez	1,500,000	2,500,000	-	(1,500,000)	2,500,000	2,500,000	-
Owen Hegarty	-	-	-	-	-	-	-
Richard Crookes	-	-	-	-	-	-	-
Donald Stephens	-	500,000	-	-	500,000	500,000	-

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

- 1,600,000 options with an exercise price of $0.20, expiring on 1 November 2016 were exercised during the financial year.
- 600,000 options with an exercise price of $0.30, expiring on 31 January 2017 were exercised during the financial year.

At the General Meeting held on 12 September 2014 shareholders approved the issue of 2,000,000 options to Managing Director Anthony Hall and 1,500,000 options to Development Director Pedro Rodriguez. The options over fully paid ordinary shares were exercisable at $0.75 on or before 12 September 2018 and were subject to the following vesting condition:

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

The vesting condition was not met and as a result the options lapsed. The fair value at grant date of these options was $541,277 and was determined using the Black Scholes option pricing model.

Options granted as part of remuneration have been valued using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

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

Performance Share holdings of Key Management Personnel

The numbers of Performance Shares in the Company held during the financial year by each Director of Highfield Resources Limited and specified executive of the Group, including their personally related parties, are set out below:

2015	Balance at the start of the year	Granted during the year as compensation	Other changes during the year	Balance at the end of the year
Derek Carter	11,021,504	-	(5,510,752)[1]	5,510,752
Anthony Hall	-	-	-	-
Pedro Rodriguez	11,021,504	-	(5,510,752)[1]	5,510,752
Richard Crookes	-	-	-	-
Owen Hegarty	-	-	-	-
Donald Stephens	4,301,076	-	(2,150,538)[1]	2,150,538

[1] On 24 February 2015 the Class A Performance Shares were converted to ordinary shares.

Other transactions with Key Management Personnel

Mr. Anthony Hall charged the Company consulting fees of $312,501 (2014: $285,834) and reimbursements of expenses, at cost, paid on behalf of the Company of $312,501 (2014: $270,508) were paid during the year. The consulting fee is included in Note 16(a) "Compensation of key management personnel". $29,167 (2014: $29,167) was outstanding at year end. Under the terms of Mr. Hall's agreement commencing in August 2013, he was paid an allowance of $211,249 (2014: $84,504) during the year.

DNC Minerals Pty Ltd, a company in which Mr. Derek Carter is a director, charged the Company consulting fees of $159,993 (2014: $141,666) and reimbursements of expenses, at cost, paid on behalf of the Company of $6,102 (2014: $10,455) were paid during the year. The consulting fee is included in Note 16(a) "Compensation of key management personnel". Nil (2014: $21,242) was outstanding at year end.

Geotrex Gestion Minera SL, a company in which Mr. Pedro Rodriguez is a director, charged the Company consulting fees of $287,445 (2014: $266,094) and reimbursements of expenses, at cost, paid on behalf of the Company of $32,397 (2014: $7,697) were paid during the year. The consulting fee is included in Note 16(a) "Compensation of key management personnel". $Nil (2014: $Nil) was outstanding at year end.

EMR Capital Pty Ltd a company in which Mr. Richard Crookes and Mr. Owen Hegarty are directors, charged the Company Director's fees of $120,000 (2014: $69,443) and reimbursements of expenses, at cost, paid on behalf of the Company of $59,803 (2014: $17,186) were paid during the year. The director's fees are included in Note 16(a) "Compensation of key management personnel". Nil (2014: $17,186) was outstanding at year end.

DCS Corporate Pty Ltd, a company in which Mr. Donald Stephens is a director, charged the Company consulting fees of $98,912 (2014: nil). The consulting fee is included in Note 16(a) "Compensation of key management personnel". Nil (2014: $nil) was outstanding at year end.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no other transactions with key management personnel for the year ended 30 June 2015.

Options Affecting Remuneration

The terms and conditions of options affecting remuneration in the current or future reporting years are as follows:

	Grant Date	Grant Number	Expiry date/last exercise date	Fair Value per option at grant date	Exercise price per option	Value of options at grant date [1]	Number of options vested	Vested	Max value yet to vest
Directors									
Anthony Hall	12/09/2014	2,000,000	11/09/2018	$0.271	$0.75	$541,277	2,000,000[2]	100%	-
Derek Carter	12/09/2014	1,500,000	11/09/2018	$0.271	$0.75	$405,957	1,500,000	100%	-
Pedro Rodriguez	12/09/2014	1,000,000	11/09/2018	$0.271	$0.75	$270,638	1,000,000[2]	100%	-
Owen Hegarty	12/09/2014	1,000,000	11/09/2018	$0.271	$0.75	$270,638[3]	1,000,000	100%	-
Richard Crookes	12/09/2014	1,000,000	11/09/2018	$0.271	$0.75	$270,638[3]	1,000,000	100%	-
Key Management									
Donald Stephens	12/09/2014	500,000	11/09/2018	$0.271	$0.75	$135,319	250,000	100%	-
		7,000,000				**$1,894,467**	**6,750,000**		-

[1] The value at grant date has been calculated in accordance with AASB 2 Share based payments

[2] 2,000,000 options to Anthony Hall and 1,500,000 options to Pedro Rodriguez were subject to the following vesting condition:
The options will vest if the approval of a Mining Concession Licence (Concesion De Exploitacion) for the proposed Javier Potash Mine (renamed Muga Potash Project) is granted by the provinces of Aragon and Navarra on or before 30 June 2015, provided the option holder remains in its capacity as an officer or employee of the Company as at the date this vesting condition is satisfied. The vesting condition was not met and as a result the options lapsed. The fair value at grant date of these options was $541,277 and was determined using the Black Scholes option pricing model.

[3] To ensure compliance with EMR's internal governance and policies, Mr Hegarty and Mr Crookes requested that the issue of options to them for services they provide as Directors are issued to nominee entities within the EMR group.

Service Agreements

Executive Directors

The Managing Director, Mr. Anthony Hall is employed under a consulting services agreement, which commenced in August 2013 for a minimum period of 24 months. Under the agreement Mr. Hall was to be paid an annual fee of A$280,000 for consultancy services and a monthly allowance of €10,000. At the board meeting held on 28 April 2014 it was unanimously resolved to increase Director and Executive Remuneration effective 1 June 2014. As a result, Mr. Hall is to be paid an annual consulting fee of A$350,000.

Mr. Hall may terminate the agreement at any time by giving six months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by giving six months notice or by paying an amount equivalent to six months fees (based on agreed consulting fee) or without notice in the case of serious misconduct, at which time Mr. Hall would be entitled to that portion of consulting fees services arising up to the date of termination. No additional Director's fees will be paid to Mr. Hall in addition to the fees paid under the consulting agreement.

The Development Director, Mr. Pedro Rodriguez is employed under a consulting services agreement, which commenced on 1 October 2014 for a period of 24 months unless extended by both parties. Under the agreement Mr. Rodriguez was to be paid an annual fee of €200,000.

Mr. Rodriguez may terminate the agreement at any time by giving three months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by giving three months written notice or by paying an amount equivalent to three months fees (based on agreed consulting fee) or without notice in the case of serious misconduct, at which time Mr. Rodriguez would be entitled to that portion of consulting fees services arising up to the date of termination. No additional Director's fees will be paid to Mr. Rodriguez in addition to the fees paid under the consulting agreement.

The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed $500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Loans to Directors and Executives

There were no loans to Directors and executives during the financial year ended 30 June 2015.

Voting and comments made at the Company's 2014 Annual General Meeting

Highfield Resources Limited received more than 99.9% of "yes" votes on its remuneration report for the 2014 financial year.

The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF AUDITED REMUNERATION REPORT

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

Anthony Hall
Managing Director

Adelaide, South Australia
31 August 2015

Competent Persons' Statement

This ASX release was prepared by Mr. Anthony Hall, Managing Director of Highfield Resources. The information in this release that relates to Ore Reserves is based on information prepared by Mr. José Antonio Zuazo Osinaga, Technical Director of CRN, S.A.; Mr. Jesús Fernández Carrasco. Managing Director of CRN, S.A. and Mr Manuel Jesus Gonzalez Roldan, Geologist of CRN, S.A. Mr. José Antonio Zuazo and Mr. Jesús Fernández, are licensed professional geologists in Spain, and are registered members of the European Federation of Geologists, 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. José Antonio Zuazo-Osinga has 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. The information in this release that relates to Mineral Resources Results is based on information prepared by Mr. Leo J. Gilbride, P.E. and Ms. Vanessa Santos, P.G. of Agapito Associates, Inc. (Agapito) of Colorado, United States of America (USA). Mr. Gilbride is a licensed professional engineer in the State of Colorado, USA 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, USA, 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 a Principal and Ms. Santos is the Chief Geologist and Senior Associate with Agapito 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. Zuazo-Osinga, Mr. Gilbride and Ms. Santos consent to the inclusion in the release of the matters based on their information in the form and context in which it appears.

3. Sustainability

3.1. Our approach to Sustainability

3.1.1. Framework

Across the lifecycle of our operations and beyond, our aspiration is to ensure we deliver on our fundamental commitments to our employees, our contractors, the community in which we operate and all other stakeholders. What this means is from design and construction, to operations, to completion of operations and remediation, everything we do must be based on a mentality of striving for excellence – that is, the best possible result from a safety, environment, social and economic perspective for everyone involved in our operations. Ultimately we need to ensure our legacy is positive and long lasting.

Highfield Resources´ mission and vision is to leave a positive legacy for current and future generations. Or simply – sowing for the future.

Mission

Leadership in:

- Safety
- Environmental best practice
- Positive stakeholder outcomes
- Operational sustainability
- Governance

Vision

The Company aims to become a global reference point within the mining industry as a sustainable, responsible, environmentally conscious and socially committed company.

We are committed to the four pillars of our strategy:

Safety first

Health and safety of our people and all those involved in the project is a key priority in our approach to and the development of our operations. We believe in the importance of integrating a safety-first culture into all of our practices and further transmitting this not only to our employees, but also to those involved and integral to the development of our business.

Ensuring best practice environmental outcomes

As a Company that strives to be a sustainability leader in our sector, we hold the vision of respecting and caring for the environment and society. Our operational processes are designed to minimise the environmental impact of our activities and in so doing deliver best practice outcomes.

Delivering positive social benefits

From a social point of view, our corporate policies are focused on the creation of awareness towards the importance of maintaining integrity and upholding high ethical standards in our everyday actions. Every action counts, which is why we want to instil our message throughout the Company and at the same time support social initiatives which have the same objectives.

Spreading the economic opportunities to all stakeholders

Each of our actions has a consequence. This is why our development is defined by our interaction with the people who work with us and who form part of the communities in which we operate. Our projects will, undoubtedly, have both a social and economic impact on the people within the local regions, especially socioeconomically.

We strive for continuous improvement and assistance in the development of the local communities by spreading the economic benefits to the region.

Sowing for the future

3.1.2. Pursuing our Strategy

Our strategies revolve around four pillars: Safety, Environmental Preservation, Social Development and Economic Development for the region. As well as the design of sustainable projects, the Company organisation aims to become part of the community. For this reason, in 2014, the Geoalcali Foundation ("the Foundation") was established. The Foundation is an independent entity which shares the same values as the company and runs in parallel to the Company´s strategy in order to contribute to social projects which allow us to *sow for the future*.

Aligned to our strategy, from an operational perspective, Geoalcali, the Company´s subsidiary in Spain set itself the objective of obtaining various certifications. This resulted in the development of an Integrated Management System to set up procedures and an operational framework to pursue "Global Best Practices":

As part of our commitment to sustainability, the Company is also implementing the ISO 26000 as a guideline to set the necessary procedures to report on Corporate Responsibility for our Sustainability Report.

The Company successfully concluded the external audit to certify the Integrated Management System covering Health and Safety (OHSAS 18001), Environmental Management (ISO 14001), Quality Management (ISO 9001) and Sustainable Mining (UNE22480) in June 2015.

Each employee is expected to meet the same high standards conveyed in the policies and this performance is reviewed annually.

TÜV Rheinland Ibérica Inspection, Certification & Testing, S.A.

TÜVRheinland®

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GEOALCALI, S.L.
Avda. Carlos III, 13 - 1° B
31002 PAMPLONA (NAVARRA)

Atn. Sra. Laura Pingarrón

Leioa, 29/06/15

TÜV Rheinland Ibérica Inspection, Certification & Testing, S.A. en su calidad de Entidad de Certificación

Acreditada por ENAC para

Sistemas de Gestión Ambiental conforme a ISO 14001:2004 con n° 04/C-MA016
Sistemas de Gestión de Calidad conforme a ISO 9001:2008 con n° 14/C-SC027

Técnicamente competente para
Sistemas de Seguridad y Salud en el trabajo conforme a OHSAS 18001:2007
Sistema de Gestión Minera Sostenible conforme a UNE 22480

Mediante la presente, CERTIFICA que la organización

GEOALCALI, S.L.

en sus instalaciones de

Pamplona (Navarra)

ha realizado la auditoría de certificación durante la semana del 15 de Junio de 2015 con resultado POSITIVO

El proceso de certificación continuará de acuerdo con el procedimiento establecido. Una vez subsanadas las posibles no conformidades, tomada la decisión con resultado satisfactorio por parte del Centro de Certificación y su gestión administrativa, se procederá a la emisión y entrega del correspondiente certificado.

Para que así conste firma

TÜV Rheinland

Isabel Torres
Responsable de Área Regional
Certificación de Sistemas de Gestión

TÜV Rheinland Ibérica Inspection, Certification & Testing, S.A.

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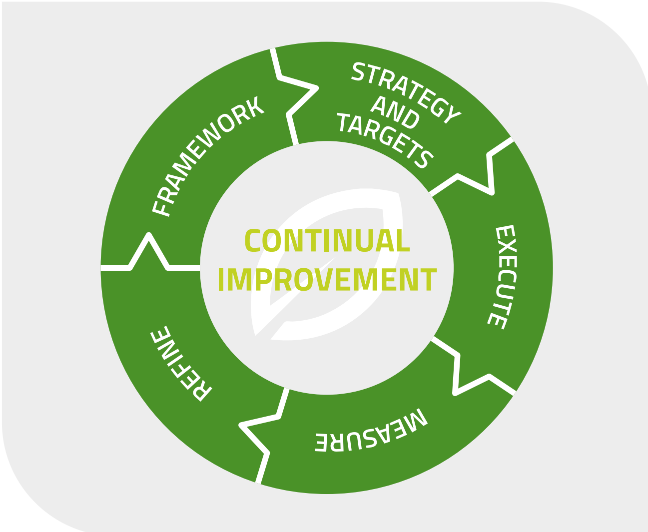
Inscripción 1a.

3.1.3. Monitor, Measure and Review

It is Highfield Resources' belief that by transparently measuring, tracking and reporting its sustainability performance, these goals and targets will continue to remain a priority in managerial decisions.

Highfield Resources' vision, mission, values, governance practices and Board Committee structures are discussed in detail at Highfield Resources' Board Meeting held annually.

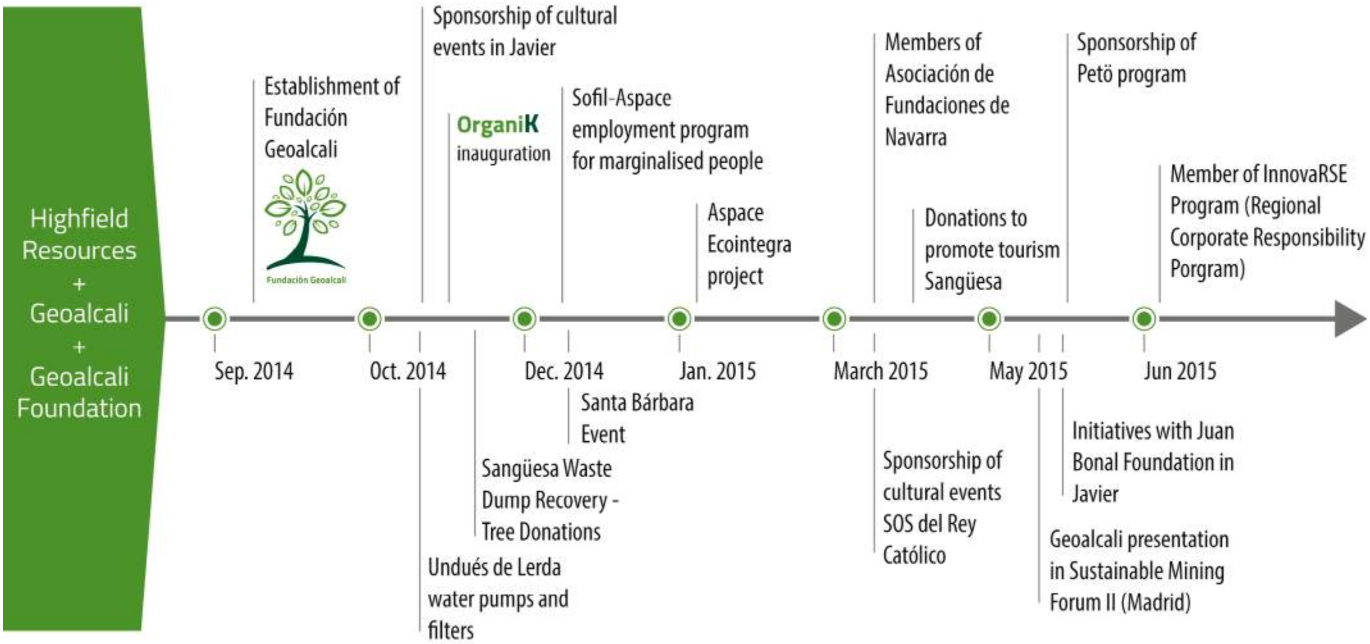
3.1.4. Continuous Improvement



We aim to develop multiple significant potash mining projects, which will require the incorporation of a combination and balance of best practice social, environmental and economic principles. Our goal is not only to comply with the legal standards (of Spain and the EU) and the universal principles expressed in the United Nations Global Compact, which we view as being fundamental to the sustainability of our business, but to go beyond compliance with the laws by setting ourselves more aspirational objectives which create a positive heritage and lasting legacy within the communities and regions in which we operate.

In order to ensure these outcomes we recognise we must continue to improve our practices where possible. This involves reviewing our performance and then monitoring global practices to ensure we continue to deliver best of breed outcomes.

3.2. Highlights



3.3. Performance

3.3.1. Accident rates 2013, 2014 and 2015 (1st semester)

As stated in our Health and Safety Policy, the Company is committed to ensuring that all accidents and occupational injuries can and should be avoided. The Health and Safety Management Team has defined a schedule of their activities, procedures and training in order to control, reduce and eliminate risk.

Accident rates 2013, 2014 and 2015 (1st semester)

	2013		2014		1st Semester 2015
Indicator	GEOALCALI	SECTOR	GEOALCALI	SECTOR	GEOALCALI
Event Rate	0.0	37.29	62.50	57.76	0.0
Frequency Rate	0.0	20.72	34.72	32.09	0.0
Total Frequency Rate	0.0	62.15	34.72	80.22	0.0
Severety Rate	0.0	0.22	6.81	2.91	0.0

Event Rate	Accidents/Employees * 10^3
Frequency Rate	Accidents and Incidents / Working Time * 10^6
Total Frequency Rate	Total Accidents / Working Time * 10^6
Severety Rate	Lost Time Injuries / Working Time * 10^3

In 2013 no accidents were reported. In 2014, no accidents occurred during working hours, however, the rates are higher compared to the sector due to an accident with a result of a mild injury classified as "In Transit". In addition the average workforce of 2014 was relatively small with just 16 workers and this distorted the statistics to an abnormally high value.

3.3.2. Environment

Protecting the environment and actively monitoring and managing the environmental impacts of Highfield's activities are central to the Company's core values as specified in the Company´s Environmental Policy. Highfield strives to position itself as a sustainable business and embed environmental protection measures throughout all stages of a project's lifecycle. The Company's activities comply with all applicable laws and the Company engages in meaningful and transparent consultation with communities of interest to inform them of its activities and adapts its plans where appropriate based on feedback received.

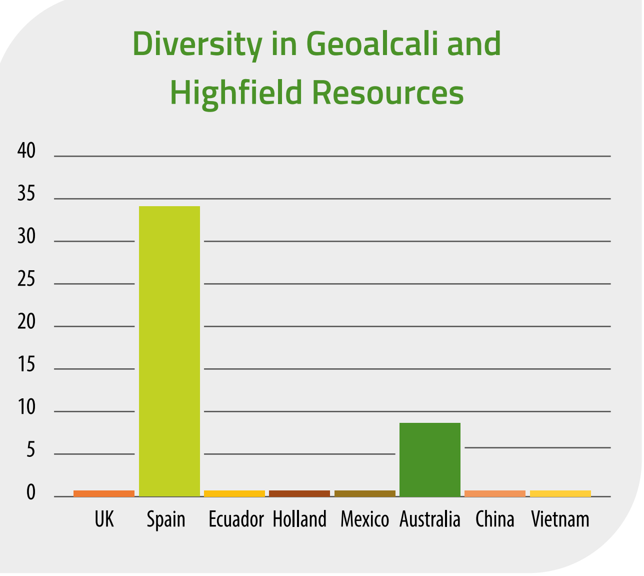
3.3.3. Employees

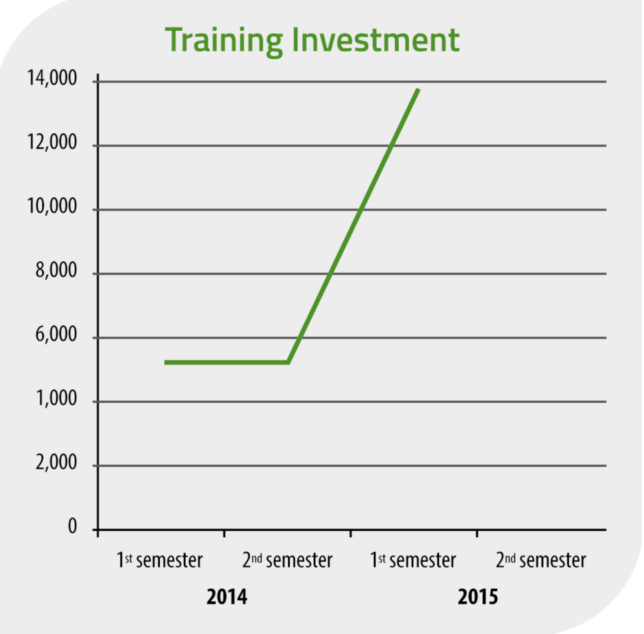
Highfield values a diverse and inclusive workplace and is committed to finding ways to actively support and encourage a workforce comprised of individuals with diverse skills, experiences and backgrounds.

Highfield recognises that a diverse workforce, which encompasses a range of skills, experiences and backgrounds, will provide a more inclusive workplace free from discrimination, harassment, bullying and unlawful behaviours. It will provide a "good place to work".

Highfield Resources Limited also recognises that it operates in a world of increasing complexity and continuous change. A diversity of inputs and approaches consistent with a diverse workforce will be more effective in addressing the issues and challenges facing our business.

Highfield recognises the inherent value of the continuing development and training of its workforce. The Company invests in its employees to increase workforce productivity, improve performance, increase employee interest and satisfaction and reduce costs associated with staff turnover.





3.4. Community Engagement

Highfield is committed to building strong relationships with its communities of interest . The Company's industry memberships, academic research support, community engagement activities and other collaborative activities add value to Highfield's business in that they promote the prosperity created by the industry and its importance to society, enrich academic research, identify new beneficial technologies and allow the Company to make meaningful contributions to the communities in which it conducts business. Highfield proactively meets with its local communities of interest at each of its active project sites in order to understand their concerns before proceeding with project development.

Fundación Geoalcali

The company has committed to integrate Corporate Responsibility as a key part of Corporate Strategy to create positive impact in the region, contribute to a strong and sustainable local business landscape, become an integrated part of the community and help the region grow with sustainable initiatives.

3.4.1. Initiatives

Through the Geoalcali Foundation, established in 2014, the Company has contributed to a wide variety of initiatives to engage positively with local communites.

OrganiK, an educational project on the benefits of potash in agriculture, has been set up jointly by The Geoalcali Foundation and Josenea Association, to promote their commitment to social development and environmental concern.

Sponsorship of associations and local communities:

The Geoalcali Foundation has also contributed to the community via various initiatives that support the four pillars of the Corporate Responsibility of the Company.

Initiatives during FY2014

Nafarroa Oinez in Sangüesa

The Geoalcali Foundation is committed to initiatives that promote environmental preservation, such as the rehabilitation of the old domestic waste dump of Sangüesa , an initiative promoted by Nafarroa Oinez through its project Oinez Basoa. The Foundation donated trees to support this project.

Water Treatment facility in Undués de Lerda

The Geoalcali Foundation invested in a new drinking water filters and pumps for the local community of Undués de Lerda, providing an inmediate benefit to the town and creating a positive impact in a community in which we will operate and our employees will live.

50th anniversary of Javier

An investment in social development to promote tourism in the town. The Geoalcali Foundation respects the values and customs of the towns as well as the preservation of their cultural heritage. To celebrate their 50th Anniversary, the town of Javier organized various activities with the support of The Foundation.

Santa Barbara celebration in Beriain, Sierra del Perdón

The Brotherhood of Santa Barbara used the celebrations as an opportunity to commemorate all miners who lost their life in workplace accidents, through the unveiling of a commemorative plaque in the patron´s chapel.

The Geoalcali Foundation was proud to support the celebration and the memory of an industry that had been of vital importance in Navarra up until the end of the 20th century.

SOFIL: Employment Program

Aspace created this program with the objective to develop an itinerary of labor integration for people with disabilities. The Geoalcali Foundation has contributed to this program in its effort to integrate the disadvantaged people into the workforce .

Initiatives during FY2015

The mining of the XXI Century, Ecointegra.

Geoalcali Foundation, true to its commitment to social development and sustainability of the environment, contributed to Aspace´s Ecointegra project by investing in the improvement and modernisation of the recycling equipment in its Aoiz site.

Petö Program

Implemented in 1998 in Navarra by Aspace, this program offers educational care for children and youth with cerebral palsy in school-age between 3 and 21 years. Geoalcali Foundation has contributed so that these people can receive appropriate care by helping with the improvement of Aspace´s facilities.

Cultural and Social activities in Javier

Reto Javier 2015 is a race that is held thanks to the Juan Bonal Foundation. Our support was focused on providing health and safety measures necessary for the celebration of the event.

Cultural and Social activities in Sangüesa

Support in promoting activities enhancing the visibility of Sangüesa as a tourist destination with the intention of assisting in the socio- economic growth of Sangüesa.

2015 was the 350th anniversary of the founding of Sangüesa. To celebrate this anniversary the Council, with the financial support of the Geoalcali Foundation, organised a series of acts to promote the region.

Cultural and Social activities in SOS del Rey Católico

The Geoalcali Foundation , true to its commitment to promote, encourage and boost the social development of the region in which it operates, provided support to celebrations and cultural activities which promote tourism in the town of SOS del Rey Católico.

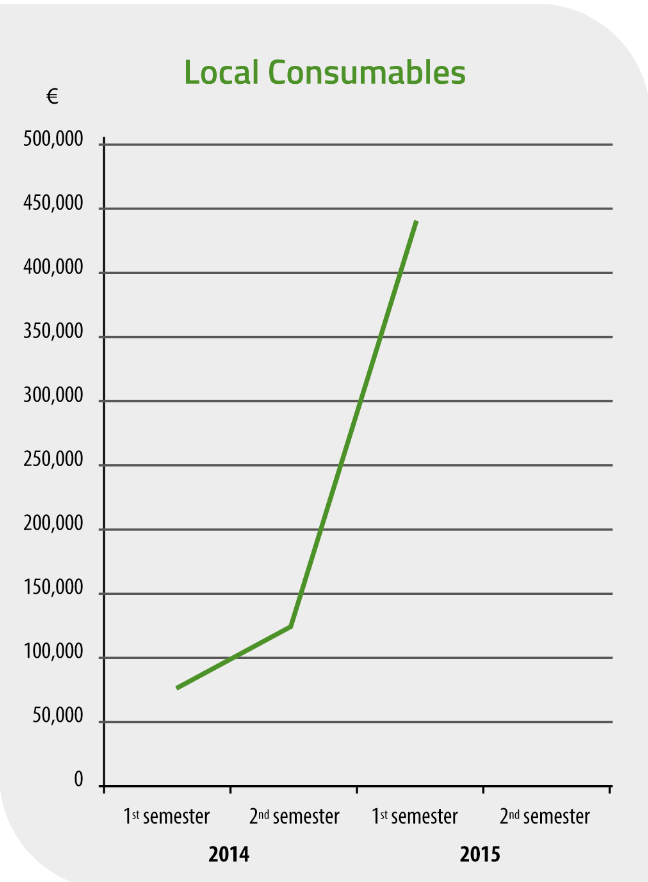
The overall progress of Highfield's community engagement activities are reported regularly to Highfield Resources' CEO and the Board of Directors. There were no reports of human rights violations during 2013, 2014 and 2015(1st semester).

The numbers of contacts and engagements have increased in all the regions, and especially within the Muga Project area.

	2013	2014	2015 (1st Semester)
Contacts with Community	5	26	23

Number of contacts with Town Halls, local Community and Local Associations

3.4.2. Investment in the community



Local Hiring

Highfield Resources is committed to hiring locally and is working on a number of agreements with local government, non-government, not-for-profit and private organizations in both Navarre and Aragón to ensure local engagement. These programs are being designed to match skills with appropriate training and help give priority to local residents.

One such organization is Cederna Garalur. Founded in 1991, and typical of the organizations that we are working with, Cederna Garalur is a not-for-profit association representing over 100 local municipalities, businesses, and other organisations and aims to promote the economic and social development of the Navarran Mountain Region (the *Montaña de Navarra*) through promoting business and technologies to foster employment and training.

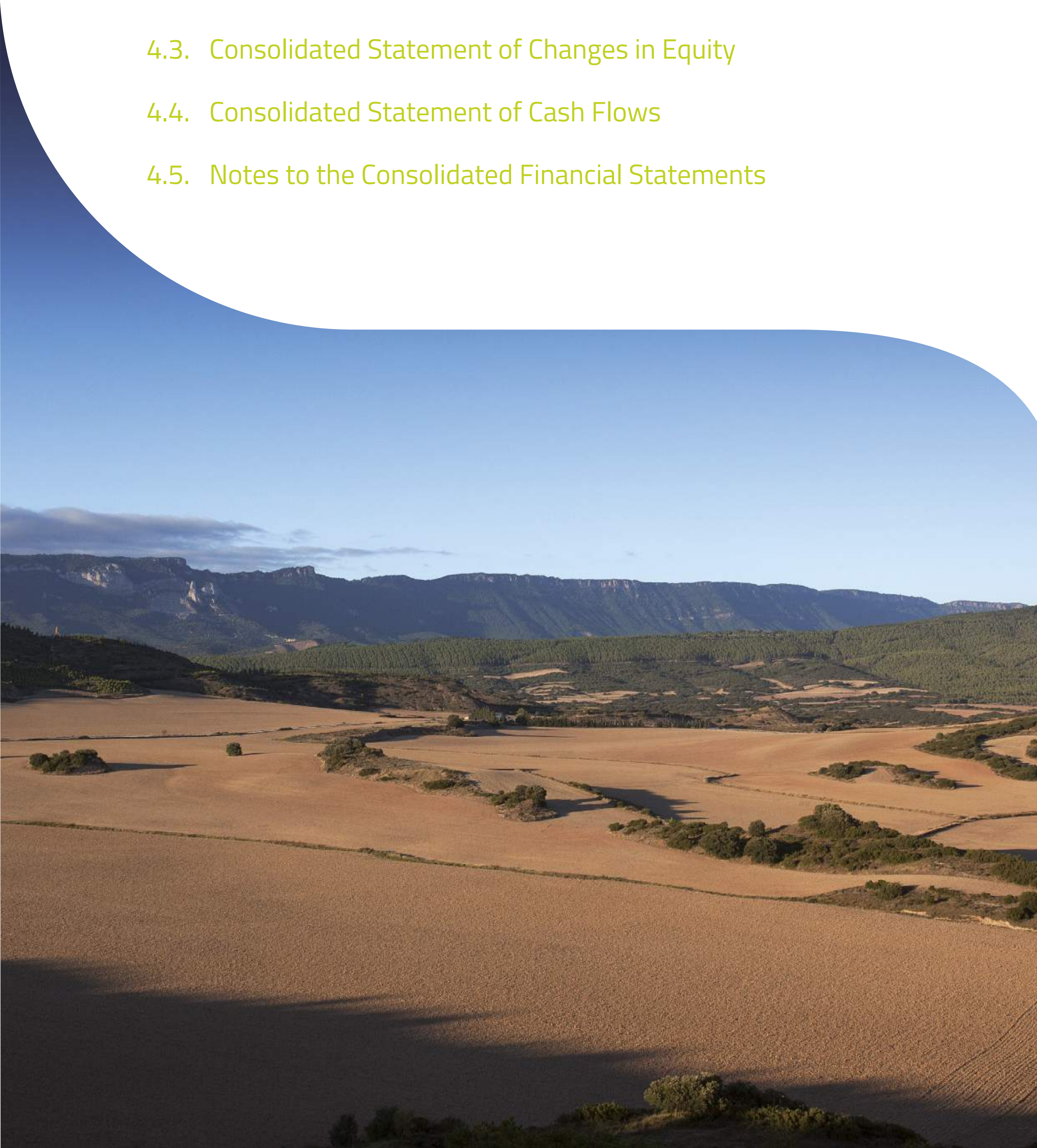
3.5. Going Beyond

We are integrating sustainability into our Company Strategy from an early stage. We believe that environmental accountability, social responsibility and a profitable business are inextricably linked

All our efforts are focused on delivering strong projects that not only comply with legal standards but go beyond by implementing best practice in social, environment and economic performance through exemplary operational management and ethical standards.

We will publish our full Sustainability Report on our website www.highfieldresources.com.au

4. Financial Report



4.1. Consolidated Statement of Comprehensive Income for the year ended 30 June 2015

	Note	30 June 2015 $	30 June 2014 $
Continuing Operations			
Interest received		859,699	171,965
Listing and share registry expenses		(142,366)	(54,755)
Impairment of exploration expenditure	9	-	(685,682)
Professional and consultants' fees	3	(1,351,244)	(2,634,279)
Service administration fees		-	(80,000)
Employee costs		(568,321)	(77,542)
Other expenses		(908,151)	(523,248)
Share based payments expense	20	(4,719,040)	(987,900)
Travel and accommodation		(678,294)	(628,789)
Occupancy expense		(185,225)	(103,455)
Donations		(213,523)	-
Depreciation		(26,489)	(20,868)
Loss on derivative financial instrument	11	(2,038,144)	-
Gain on foreign exchange		534,773	98,515
Loss before income tax		**(9,436,325)**	**(5,526,038)**
Income tax expense	4	-	-
Net loss for the year		**(9,436,325)**	**(5,526,038)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		181,798	(288,861)
Other comprehensive income for the year net of tax		**181,798**	**(288,861)**
Total comprehensive loss for the year		**(9,254,527)**	**(5,814,899)**
Loss per share			
Basic loss per share (cents)	18	(4.38)	(4.12)
Diluted loss per share (cents)	18	(4.38)	(4.12)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

4.2. Consolidated Statement of Financial Position as at 30 June 2015

	Note	30 June 2015 $	30 June 2014 $
Current Assets			
Cash and cash equivalents	5	118,776,438	11,565,261
Other receivables	6	1,562,162	1,449,777
Total Current Assets		120,338,600	13,015,038
Non-Current Assets			
Other receivables	7	30,755	30,230
Property, plant and equipment	8	309,030	74,333
Deferred exploration & evaluation expenditure	9	48,686,230	39,726,633
Total Non-Current Assets		49,026,015	39,831,196
Total Assets		169,364,615	52,846,234
Current Liabilities			
Trade and other payables	10	981,727	1,952,250
Derivative financial instruments	11	2,038,144	-
Total Current Liabilities		3,019,871	1,952,250
Total Liabilities		3,019,871	1,952,250
Net Assets		**166,344,744**	**50,893,984**
Equity			
Issued capital	12	165,982,935	34,797,688
Reserves	13	19,201,674	25,499,836
Accumulated losses	14	(18,839,865)	(9,403,540)
Total Equity		**166,344,744**	**50,893,984**

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

4.3. Consolidated Statement of Changes in Equity
for the year ended 30 June 2015

	Issued capital $	Accumulated losses $	Share based payments reserve $	Foreign exchange translation reserve $	Option premium reserve $	Performance share reserves $	Total $
Balance at 1 July 2013	**20,972,569**	**(3,877,502)**	**1,734,327**	**66,470**	**-**	**11,500,000**	**30,395,864**
Total comprehensive loss for the year							
Loss for the year	-	(5,526,038)	-	-	-	-	(5,526,038)
Foreign currency translation	-	-	-	(288,861)	-	-	(288,861)
Total comprehensive loss for the year	-	(5,526,038)	-	(288,861)	-	-	(5,814,899)
Transactions with owners in their capacity as owners							
Shares issued during the year	14,629,312	-	-	-	-	-	14,629,312
Performance shares issued as consideration for acquisition	-	-	-	-	-	11,500,000	11,500,000
Cost of issue	(804,193)	-	-	-	-	-	(804,193)
Share based payment	-	-	987,900	-	-	-	987,900
Balance at 30 June 2014	**34,797,688**	**(9,403,540)**	**2,722,227**	**(222,391)**	**-**	**23,000,000**	**50,893,984**
Balance at 1 July 2014	**34,797,688**	**(9,403,540)**	**2,722,227**	**(222,391)**	**-**	**23,000,000**	**50,893,984**
Total comprehensive loss for the year							
Loss for the year	-	(9,436,325)	-	-	-	-	(9,436,325)
Foreign currency translation	-	-	-	181,798	-	-	181,798
Total comprehensive loss for the year	-	(9,436,325)	-	181,798	-	-	(9,254,527)
Transactions with owners in their capacity as owners							
Shares issued during the year	123,719,000	-	-	-	-	-	123,719,000
Options issued during the year	-	-	-	-	1,000	-	1,000
Conversion of performance shares	11,500,000	-	-	-	-	(11,500,000)	-
Cost of issue	(4,333,753)	-	-	-	-		(4,333,753)
Shares issued to corporate advisor	300,000	-	300,000	-	-	-	600,000
Share based payment	-	-	4,719,040	-	-	-	4,719,040
Balance at 30 June 2015	**165,982,935**	**(18,839,865)**	**7,741,267**	**(40,593)**	**1,000**	**11,500,000**	**166,344,744**

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

4.4. Consolidated Statement of Cash Flows
for the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Payments to suppliers and employees		(6,421,186)	(4,396,998)
Interest received		520,199	169,157
Other receipts – VAT received		1,747,372	-
Net cash used in operating activities	5	**(4,153,615)**	**(4,227,841)**
Cash flows from investing activities			
Purchase of plant and equipment		(259,524)	(74,639)
Payments for exploration expenditure and project acquisition		(8,594,556)	(4,186,073)
Net cash used in investing activities		**(8,854,080)**	**(4,260,712)**
Cash flows from financing activities			
Proceeds from issue of shares		123,719,000	14,629,312
Proceeds from issue of options		1,000	-
Payments for share issue costs		(4,035,901)	(665,703)
Net cash provided by financing activities		**119,684,099**	**13,963,609**
Net increase in cash and cash equivalents		106,676,404	5,475,056
Cash and cash equivalents at the beginning of the year		11,565,261	6,188,720
Effect of exchange rate fluctuations on cash		534,773	(98,515)
Cash and cash equivalents at the end of the year	5	**118,776,438**	**11,565,261**

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

4.5. Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield Resources", "Highfield" or "the Company") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 20 August 2015. Highfield is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

(b) Compliance Statement

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Highfield Resources Limited ('the Company') and its subsidiaries as at 30 June each year ('the Group').

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position respectively.

(d) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Highfield Resources Limited is Australian dollars. The functional currency of the Spanish subsidiary is the Euro.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

(e) Segment Reporting

For management purposes, the Group is organised into one main operating segment, which involves development of potash mines in Spain. All of the Group's activities are interrelated, and discrete financial information is reported to the Managing Director (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

(f) Changes in accounting policies and disclosures

The Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for future reporting periods. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and therefore, no change will be necessary to Company accounting policies.

(g) Exploration expenditure

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

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

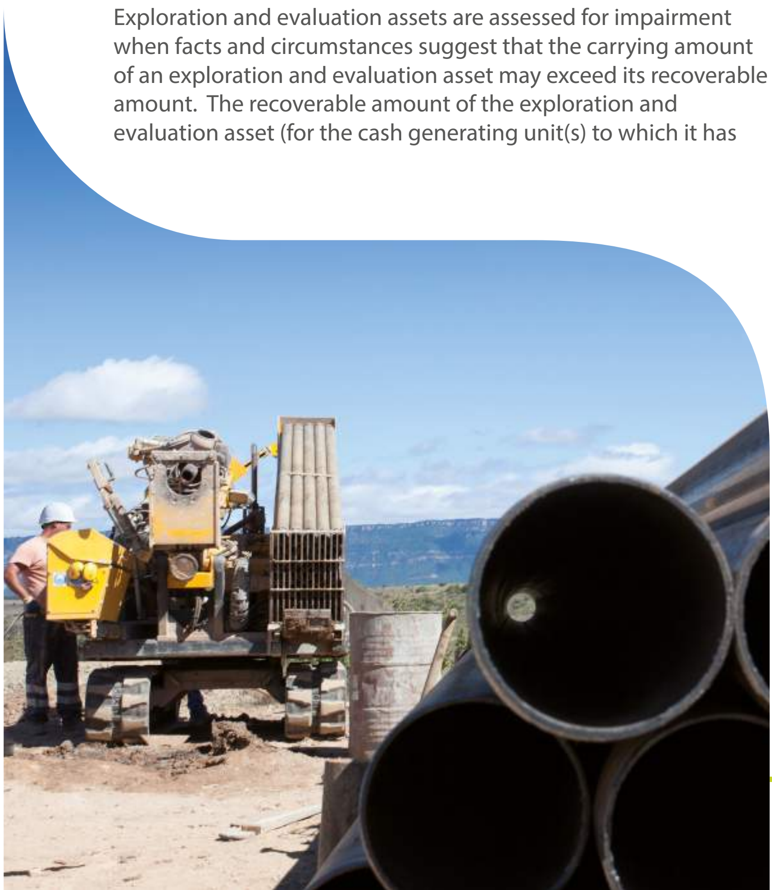
(ii) at least one of the following conditions is also met:

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

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

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.



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

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

(h) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

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

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

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

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

- the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be recognised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised.

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

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

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

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

(i) Other taxes

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

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

(j) Impairment of non-financial assets other than goodwill

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Cash and cash equivalents

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

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

(l) Trade and other payables

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

(m) Derivative financial instruments and hedging

The Company uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to net profit or loss for the year.

(n) Provisions

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

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

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

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

(o) Issued capital

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

(p) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Earnings per share

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

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

(r) Share based payment transactions

(i) Equity settled transactions:

The Company provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Company in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions'). There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 20. The expected price volatility is based on the historic volatility of the Company's share price on the ASX.

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

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

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting year has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a year represents the movement in cumulative expense recognised at the beginning and end of the year.

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

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

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 18).

(ii) Cash settled transactions:

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

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

(s) Critical accounting estimates and judgements

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

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

Share-based payment transactions:

The Company measures the cost of equity-settled transactions and cash-settled share-based payments with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at the grant date is determined using the Black and Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted and the assumptions detailed in note 20. The fair value of Performance Shares issued by the Company is based on the directors' assessment of those shares that are likely to convert to ordinary shares. Refer to notes 12(f) and 13.

Fair value measurements

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. Information about the inputs used in determining the fair value of various assets and liabilities are disclosed in note 11.

3. Expenses

	2015 $	2014 $
Professional and consultants' fees		
Consulting and directors' fees	(1,087,380)	(2,347,530)
Corporate advisory	-	(64,129)
Other	(263,864)	(222,620)
	(1,351,244)	**(2,634,279)**

4. Income Tax

(a) Income tax expense

	2015 $	2014 $
Major component of tax expense for the year:	-	-
Current tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:

	2015 $	2014 $
Loss from continuing operations before income tax expense	(9,436,325)	(5,526,038)
Tax at the Australian rate of 30%	(2,830,898)	(1,657,811)
Share based payments	1,415,712	296,370
Income tax benefit not brought to account	1,415,186	1,361,441
Income tax expense	-	-

(c) Deferred tax

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

	2015 $	2014 $
Liabilities		
Total exploration and evaluation expenditure	-	-
Offset by deferred tax assets	-	-
Deferred tax liability recognised	-	-
Assets		
Losses available to offset against future taxable income	4,252,219	2,301,229
Share issue costs deductible over five years	1,210,440	342,306
Accrued expenses	(203,570)	208,273
Deferred tax assets offset against deferred tax liabilities	-	-
Net deferred tax asset not recognised	**5,259,089**	**2,851,808**

(d) Unused tax losses

	2015 $	2014 $
Unused tax losses	14,174,062	7,670,764
Potential tax benefit not recognised at 30%	**4,252,219**	**2,301,229**

The benefit for tax losses will only be obtained if:

i. the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and

ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and

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

5. Cash And Cash Equivalents

Reconciliation of cash

	2015 $	2014 $
Cash comprises of:		
Cash at bank	118,776,438	11,565,261
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(9,436,325)	(5,526,038)
Non-cash items		
Share based payments	4,719,040	987,900
Loss on derivative financial instrument	2,038,144	-
Gain on foreign exchange	(355,163)	-
Depreciation	26,489	20,868
Costs of Issue	(297,852)	-
Change in assets and liabilities		
Increase in trade and other receivables	(112,385)	(584,988)
Increase in trade and other payables	(735,563)	874,417
Net cash flow used in operating activities	**(4,153,615)**	**(4,227,841)**

6. Other Receivables – Current

	2015 $	2014 $
GST receivable	258,659	62,013
VAT receivable	443,879	1,042,126
Other	859,624	345,638
	1,562,162	**1,449,777**

Debtors, other debtors and GST/VAT receivable are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

7. Other Receivables – Non-Current

	2015 $	2014 $
Other	30,755	30,230
	30,755	**30,230**

8. Property, Plant and Equipment

	2015 $	2014 $
Cost	362,080	6,100,803
Accumulated depreciation and impairment	(53,050)	(26,470)
Net carrying amount	**309,030**	**74,333**

Movements in Property, Plant and Equipment:

	2015 $	2014 $
Opening balance	74,333	24,435
Additions	259,524	74,639
Net exchange differences on translation	1,662	(3,873)
Depreciation charge for the year	(26,489)	(20,868)
	309,030	**74,333**

9. Deferred Exploration and Evaluation Expenditure

	2015 $	2014 $
Exploration and Evaluation phase - at cost		
Opening balance	39,726,633	24,231,973
Acquisition of exploration tenements	600,000[1]	11,500,000
Exploration and evaluation expenditure incurred during the year	8,271,549	4,825,070
Impairment of exploration expenditure	-	(685,682)[2]
Net exchange differences on translation	88,048	(144,728)
Closing balance	**48,686,230**	**39,726,633**

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

[1] Fair value at grant date of an equity benefit issued to Taylor Collison Limited pursuant to a corporate and financial services agreement relating to the acquisition by the Company of the four Spanish potash projects.

[2] The impairment loss incurred during the 2014 financial year is related to the Company withdrawing from the farm-in agreement on the McLarty Potash Project located in North Western Australia.

10. Trade and Other Payables

	2015 $	2014 $
Trade payables	937,129	1,229,084
Other payables	17,497	8,541
Accruals	27,101	714,625
	981,727	**1,952,250**

Trade creditors and other creditors are non-interest bearing and generally payable on 30 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

11. Derivative Financial Instruments

This note summarises the impact of the derivative financial instrument on the Statement of Financial Position, Statement of Changes in Equity and Statement of Comprehensive Income. Derivatives are required to be recognised in the Statement of Financial Position at their fair market value, with subsequent changes in fair value being recognised through earnings.

On 2 June 2015 the Company entered into a Currency Forward Contract. The terms of the Transaction are as follows:

Currency Forward Contract	
Call Currency and Call Currency Amount	AUD 104,166,667
Put Currency and Put Currency Amount	EUR 75,000,000
Strike Rate	0.7200
Protection Rate	0.6773
Expiration Date	5 January 2016

Movements in Derivative Financial Instruments:

	2015 $	2014 $
Opening balance	-	-
Movement in fair value of the derivative financial liability	(2,038,144)	-
Closing balance	**(2,038,144)**	-

12. Issued Capital

(a) Issued and paid up capital

	2015 $	2014 $
Issued and fully paid	**165,982,935**	**34,797,688**

(b) Movements in ordinary shares on issue

	2015		2014	
	Number of shares	$	Number of shares	$
Opening Balance	155,825,003	34,797,688	119,255,629	20,972,569
Shares issued by investment offering [1]	25,000,000	12,750,000	-	-
Shares issued by Placement [2]	19,675,000	9,444,000	-	-
Shares issued by Placement [3]	56,125,000	101,025,000	-	-
Shares issued to Corporate advisor [4]	1,500,000	300,000	-	-
Conversion of Class A Performance Shares	50,000,000	11,500,000	-	-
Conversion of unlisted options	2,200,000	500,000	-	-
Shares issued by investment offering [5]	-	-	16,244,374	4,873,312
Shares issued by Placement [6]	-	-	20,325,000	9,756,000
Transaction costs on share issue	-	(4,333,753)	-	(804,193)
	310,325,003	**165,982,935**	**155,825,003**	**34,797,688**

1 On 22 September 2014, 25,000,000 shares were issued to EMR Capital Pty Ltd for funds of $12,750,000 at $0.51 per share.

2 On 22 September 2014 the Company issued 19,675,000 Tranche 2 shares to Australian and Overseas investors at $0.48 per share to raise $9,444,000.

3 On 15 May 2015, the Company issued 56,125,000 shares to EMR Capital Pty Ltd and Australian and Overseas investors at $1.80 per share to raise $101,025,000.

4 On 24 February 2015, 1,500,000 shares were issued under the terms of a corporate advisory agreement relating to the acquisition by the Company of the four Spanish potash projects.

5 On 17 May 2013, 23,755,626 shares were issued to EMR Capital Pty Ltd for Tranche 1 funds of $5,126,688 at $0.20 per share for 20,000,000 shares and $0.30 per share for the remaining shares. On 9 August 2013, 16,244,374 shares were issued for Tranche 2 funds of $4,873,312 at $0.30 per share.

6 On 23 and 25 June 2014 the Company issued 20,325,000 Tranche 1 shares to Australian and Overseas investors at $0.48 per share to raise $9,756,000.

(c) Ordinary shares

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

(d) Capital risk management

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of $166,344,744 at 30 June 2015. The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 19 for further information on the Company's financial risk management policies.

(e) Share Options

As at 30 June 2015 there were 37,800,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price $	Expiry Date
7,000,000	$0.40	31-May-17
2,400,000	$0.30	31-Jan-17
4,000,000	$0.20	19-Oct-16
4,400,000	$0.20	1-Nov-16
500,000	$0.60	30-Jun-17
500,000	$0.60	31-Jan-17
4,750,000	$0.75	30-Jun-18
9,500,000	$0.75	11-Sep-18
750,000	$1.00	30-Jun-18
4,000,000	$1.25	30-Jun-18
37,800,000		

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

1,600,000 options with an exercise price of $0.20, expiring on 1 November 2016 were exercised during the financial year.

600,000 options with an exercise price of $0.30, expiring on 31 January 2017 were exercised during the financial year.

At the General Meeting held on 12 September 2014 shareholders approved the issue of 2,000,000 options to Managing Director Anthony Hall and 1,500,000 options to Development Director Pedro Rodriguez. The options over fully paid ordinary shares were exercisable at $0.75 on or before 12 September 2018 and were subject to the following vesting condition:

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

The vesting condition was not met and as a result the options lapsed.

(f) Performance Shares

As at 30 June 2015 there were 50,000,000 performance shares on issue. For the full details relating to the Company's Performance Shares on issue refer to note 13:

2015		2014	
Number	**Class**	**Number**	**Class**
-	A	50,000,000	A
50,000,000	B	50,000,000	B
50,000,000		**100,000,000**	

13. Reserves

	2015 $	2014 $
Share based payments reserve	7,741,267	2,722,227
Foreign exchange translation reserve	(40,593)	(222,391)
Option premium reserve	1,000	-
Performance share reserve	11,500,000	23,000,000
	19,201,674	**25,499,836**

Movements in Reserves

	2015 $	2014 $
Share based payments reserve		
Opening balance	2,722,227	1,734,327
Shares to be issued to corporate advisor	300,000	-
Share based payments expense	4,719,040	987,900
Closing balance	**7,741,267**	**2,722,227**

The share based payment reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their goods and services. Refer to note 20 for further details of the options issued during the financial year ended 30 June 2015.

	2015 $	2014 $
Foreign exchange translation reserve		
Opening balance	(222,391)	66,470
Foreign exchange translation difference	181,798	(288,861)
Closing balance	**(40,593)**	**(222,391)**

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

	2015 $	2014 $
Option premium reserve		
Opening balance	-	-
Issue of unlisted options	1,000	-
Closing balance	**1,000**	-

The option premium reserve is used to record the amount received on the issue of options.

	2015 $	2014 $
Performance shares reserve		
Opening balance	23,000,000	11,500,000
Conversion of performance shares – Class A	(11,500,000)	-
Issue of performance shares – Class B	-	11,500,000
Closing balance	**11,500,000**	**23,000,000**

The performance share reserve is used to record the value of 50,000,000 Class B performance shares issued to KCL Shareholders for the acquisition of the Company's Spanish potash projects at $0.23 per share based on the directors' assessment of the likelihood of the performance shares being converted to ordinary shares. Class B performance shares are to be converted to ordinary shares upon the successful completion of the following Project related milestone.

Class B Performance Shares will automatically convert upon the receipt, to the reasonable satisfaction of Highfield of all relevant approvals 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).

On 24 February 2015, the Company advised that the Class A Performance Shares had been converted to Ordinary Shares. The Class A Performance Shares were to automatically convert to ordinary shares upon delineation of a JORC Code (or equivalent) Compliant Indicated Mineral Resource of:

(i) 150 million tonnes of potash at or above 13% K_2O by content; or

(ii) 125 million tonnes of potash at or above 14% K_2O by content; or

(iii) 100 million tonnes of potash at or above 15% K_2O by content; or

(iv) 75 million tonnes of potash at or above 17% K_2O by content; or

(v) 50 million tonnes of potash at or above 20% K_2O by content.

14. Accumulated losses

Movements in accumulated losses were as follows:

	2015 $	2014 $
Opening balance	(9,403,540)	(3,877,502)
Loss for the year	(9,436,325)	(5,526,038)
Closing balance	**(18,839,865)**	**(9,403,540)**

15. Auditor's Remuneration

The auditor of Highfield Resources Limited is HLB Mann Judd (WA Partnership)

	2015 $	2014 $
Amounts received or due and receivable for:		
- an audit or review of the financial report	32,000	25,500

16. Key Management Personnel Disclosures

(a) Remuneration of Key Management Personnel

Details of the nature and amount of each element of the emolument of each Director and Executive of the Company for the financial year are as follows:

	2015 $	2014 $
Short term employee benefits	978,851	854,275
Share based payments	1,894,467	663,441
Total remuneration	**2,873,318**	**1,517,716**

(b) Other transactions with key management personnel

Mr. Anthony Hall charged the Company consulting fees of $312,501 (2014: $285,834) and reimbursements of expenses, at cost, paid on behalf of the Company of $312,501 (2014: $270,508) were paid during the year. The consulting fee is included in Note 16(a) "Compensation of key management personnel". $29,167 (2014: $29,167) was outstanding at year end. Under the terms of Mr. Hall's agreement commencing in August 2013, he was paid an allowance of $211,249 (2014: $84,504) during the year.

DNC Minerals Pty Ltd, a company in which Mr. Derek Carter is a director, charged the Company consulting fees of $159,993 (2014: $141,666) and reimbursements of expenses, at cost, paid on behalf of the Company of $6,102 (2014: $10,455) were paid during the year. The consulting fee is included in Note 16(a) "Compensation of key management personnel". Nil (2014: $21,242) was outstanding at year end.

Geotrex Gestion Minera SL, a company in which Mr. Pedro Rodriguez is a director, charged the Company consulting fees of $287,445 (2014: $266,094) and reimbursements of expenses, at cost, paid on behalf of the Company of $32,397 (2014: $7,697) were paid during the year. The consulting fee is included in Note 16(a) "Compensation of key management personnel". $Nil (2014: $Nil) was outstanding at year end.

EMR Capital Pty Ltd a company in which Mr. Richard Crookes and Mr. Owen Hegarty are directors, charged the Company Director's fees of $120,000 (2014: $69,443) and reimbursements of expenses, at cost, paid on behalf of the Company of $59,803 (2014: $17,186) were paid during the year. The director's fees are included in Note 16(a) "Compensation of key management personnel". Nil (2014: $17,186) was outstanding at year end.

DCS Corporate Pty Ltd, a company in which Mr. Donald Stephens is a director, charged the Company consulting fees of $98,912 (2014: nil). The consulting fee is included in Note 16(a) "Compensation of key management personnel". Nil (2014: $nil) was outstanding at year end.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no other transactions with key management personnel for the year ended 30 June 2015.

17. Related party disclosures

(a) Key management personnel

For Director related party transactions please refer to Note 16 "Key management personnel disclosures".

(b) Subsidiaries

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

		Equity Holding	
Name of Entity	**Country of Incorporation**	**2015**	**2014**
KCL Resources Limited	Australia	100%	100%
Geoalcali SL	Spain	100%	100%

18. Loss per Share

	2015 $	2014 $
Loss used in calculating basic and dilutive EPS	(9,436,325)	(5,526,038)

	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	215,347,263	134,087,857
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	215,347,263	134,087,857

There is no impact from 37,800,000 options outstanding at 30 June 2015 (2014: 21,000,000) on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

19. Financial Risk Management

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

(a) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

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

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables and derivative financial instruments. As at 30 June 2015 all trade and other payables are contractually matured within 30 days.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Company manages the risk by investing in short term deposits.

	2015 $	2014 $
Cash and cash equivalents	118,776,438	11,565,261

Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss ($) Increase/(Decrease)		Effect on Equity including retained earnings ($) Increase/(Decrease)	
	2015	**2014**	**2015**	**2014**
Increase 100 basis points	1,187,764	115,653	1,187,764	115,653
Decrease 100 basis points	(1,187,764)	(115,653)	(1,187,764)	(115,653)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

(c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge and obligation and cause the Company to incur a financial loss. The Company's maximum credit exposure is the carrying amounts on the statement of financial position. The Company holds financial instruments with credit worthy third parties.

At 30 June 2015, the Company held cash at bank. 99% of the Company's cash was held in financial institutions with a rating from Standard & Poors of AA or above (long term). The Company has no past due or impaired debtors as at 30 June 2015.

(d) Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	2015	2014	2015	2014
Euro	2,038,144	-	20,950,517	8,343

Foreign currency sensitivity analysis

The Company is exposed to Euro currency fluctuations. The following table details the Group's sensitivity to a 10% increase and decrease in the Euro against the Australian dollar.

2015	Euro Movement (in AUD)	
	Increase	Decrease
Profit or loss	12,366,986	(689,901)
Other equity	12,366,986	(689,901)

(e) Fair Value

The Company's derivative financial instrument has been measured at fair value at 30 June 2015 (2014: Nil) (refer to note 11).

20. Share Based Payments

(a) Recognised share based payment transactions

Share based payment transactions recognised either as operational expenses in the statement of comprehensive income or as capital raising costs in the equity during the year were as follows:

	2015 $	2014 $
Employee share based payments	4,420,931	987,900
Share based payments to suppliers (Notes 20(c))	298,109	-
Shares issued to corporate advisor[1]	300,000	-
	5,019,040	**987,900**

[1] On 24 February 2015, 1,500,000 shares were issued under the terms of a corporate advisory agreement relating to the acquisition by the Company of the four Spanish potash projects.

(b) Employee share based payments

The Company has established an employee share option plan (ESOP). The objective of the ESOP was to assist in the recruitment, reward, retention and motivation of employees of Highfield Resources Limited. An individual may receive the options or nominate a relative or associate to receive the options. The plan is open to executive officers and employees of Highfield Resources Limited.

The fair value at grant date of options granted during the reporting half-year was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

The table below summarises options granted during the year ended 30 June 2015:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
15/07/2014	30/06/2018	$0.75	-	2,300,000	-	-	2,300,000	300,000[1]
12/09/2014	11/09/2018	$0.75	-	13,000,000	-	(3,500,000)	9,500,000	8,000,000[2]
30/10/2014	30/06/2018	$0.75	-	750,000	-	(500,000)	250,000	-[3]
13/02/2015	30/06/2018	$1.00	-	450,000	-	-	450,000	-[4]
11/03/2015	30/06/2018	$1.25	-	3,000,000	-	-	3,000,000	-[5]
				19,500,000		(4,000,000)	15,500,000	8,300,000

[1] Employees were granted 2,300,000 options exercisable at $0.75 each on or before 30 June 2018 in three tranches:

1. 200,000 options are exercisable immediately;

2. 1,200,000 vest and are exercisable on 1 July 2015; and

3. 900,000 options vest and are exercisable on approval of mining concession licence (concesión de explotación) by the provinces of Aragón and Navarra (if required) for the proposed Javier potash mine (renamed Muga Potash Project).

[2] Directors and employees were granted 13,000,000 options exercisable at $0.75 each on or before 11 September 2018 in three tranches:

1. 8,000,000 options are exercisable immediately;

2. 1,500,000 options vest and are exercisable on approval of mining concession licence (concesión de explotación) by the provinces of Aragón and Navarra (if required) for the proposed Javier potash mine (renamed Muga Potash Project); and

3. 3,500,000 options vest and are exercisable on approval of mining concession licence (concesión de explotación) by the provinces of Aragón and Navarra (if required) for the proposed Javier potash mine (renamed Muga Potash Project) on or before 30 June 2015. This vesting condition was not met and as a result the options lapsed.

[3] Employees were granted 750,000 options exercisable at $0.75 each on or before 30 June 2018 in four tranches:

1. 100,000 options vest and are exercisable on 1 September 2015 provided that the option holder remains in their capacity as an employee of the Company on this date. This vesting condition was not met and as a result the options lapsed;

2. 250,000 options vest and are exercisable on 30 September 2015;

3. 150,000 options vest and are exercisable on approval of mining concession licence (concesión de explotación) by the provinces of Aragón and Navarra (if required) for the proposed Javier potash mine (renamed Muga Potash Project) on or before 30 June 2015 provided that the optionholder remains in their capacity as an employee of the Company on this date. This vesting condition was not met and as a result the options lapsed; and

4. 250,000 options vest and are exercisable completion of the first phase of construction works (issue of Final Certificate) provided that the optionholder remains in their capacity as an employee of the Company on this date. This vesting condition was not met and as a result the options lapsed.

[4] Employees were granted 450,000 options exercisable at $1.00 each on or before 30 June 2018. The options vest and are exercisable on 31 December 2015.

[5] Employees were granted 3,000,000 options exercisable at $1.25 each on or before 30 June 2018 in two tranches:

1. 1,500,000 options vest and are exercisable on 11 March 2016; and
2. 1,500,000 options vest and are exercisable on completion of the first phase of construction works (issue of Final Certificate).

The expense recognised in respect of the above options granted during the year was $3,879,654.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2015 included:

a) options were granted for no consideration;

b) expected life of options ranging from 3.3 to 4 years;

c) share price at grant date ranging from $0.62 to $1.02

d) expected volatility ranging from 55% to 65%;

e) expected dividend yield of nil; and

f) a risk free interest rate ranging from 2.50 to 3.00%.

The table below summarises options granted during the year ended 30 June 2014:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
24/09/2013	30/06/2017	$0.60	-	500,000	-	-	500,000	500,000
13/02/2014	31/01/2017	$0.60	-	500,000	-	-	500,000	300,000
				1,000,000			1,000,000	800,000

The expense recognised in the 2014 year in respect of the above options granted during that year was $207,501.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2014 included:

a) options are granted for no consideration;

b) expected life of options ranged from three to four years;

c) share price at grant date ranged from $0.34 to $0.40;

d) expected volatility ranged from 78% to 80%;

e) expected dividend yield of Nil; and

f) a risk free interest rate ranging from 3.11% to 3.25%

Performance Hurdles

Employee Options

Employees were granted 3,000,000 options exercisable at $0.30 each on or before 31 January 2017 in three tranches:

1. 850,000 options vest and are exercisable on 31 January 2014;
2. 850,000 options vest and are exercisable on 31 January 2015; and
3. 1,300,000 options vest and are exercisable on receipt by the Company of all necessary approvals to construct and operate a potash mine capable of producing 500,000 tonnes of potash per annum.

(c) Share-based payment to suppliers

During the financial year ended 30 June 2015 the Company issued 3,500,000 options to consultants for corporate, financial and other services rendered during the financial year and over the coming 12 months. These options have been valued using the Black-Scholes option pricing model.

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Expense recognised during the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	$	Number
12/09/2014	30/06/2018	$0.75	-	200,000	-	-	200,000	36,286	100,000[1]
30/10/2014	30/06/2018	$0.75	-	2,000,000	-	-	2,000,000	98,221	-[2]
13/02/2015	30/06/2018	$1.00	-	300,000	-	-	300,000	67,083	-[2]
11/03/2015	30/06/2018	$1.25	-	1,000,000	-	-	1,000,000	96,519	-[3]
			-	**3,500,000**	-	-	**3,500,000**	**298,109**	**100,000**

[1] 100,000 options granted vest and are exercisable on 1 July 2015.

[2] Options granted vest and are exercisable on 30 September 2015.

[3] 500,000 options granted vest and are exercisable on 11 March 2016 and 500,000 options granted vest and are exercisable on 11 March 2017.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2015 included:

a) options were granted for consideration ranging from nil to $0.001 per option;

b) expected life of options ranging from 3.3 to 4 years;

c) share price at grant date ranging from $0.62 to $1.02

d) expected volatility ranging from 55% to 65%;

e) expected dividend yield of nil; and

f) a risk free interest rate ranging from 2.50 to 3.00%.

There were no options granted to suppliers during the year ended 30 June 2014.

21. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 30 June 2015 (2014: Nil).

22. Subsequent Events

On 11 August 2015 the Company issued 3,000,000 unlisted options to staff pursuant to the Company's Employee Share Option Scheme and to consultants to provide consideration for services rendered to date and over the coming 12 months. The options are exercisable at $2.00 each on or before 30 June 2019.

On 27 August 2015 the Company signed a project finance mandate for the Muga Mine with four major European commercial banks. All four banks have received initial internal approvals to participate in long term Project Finance Facilities of up to €222m on a debt to equity ratio of up to 65%.

23. Dividends

No dividend was paid or declared by the Company in the year ended 30 June 2015 or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2015.

24. Parent Entity Information

The following details information related to the parent entity, Highfield Resources Limited, at 30 June 2015. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2015 $	2014 $
Current assets	117,611,676	11,233,626
Total assets	167,861,953	51,922,500
Current liabilities	(2,301,305)	(1,046,592)
Total liabilities	(2,301,305)	(1,046,592)
Net assets	**165,560,648**	**50,875,908**
Issued capital	165,982,935	34,797,688
Reserves	19,242,267	25,722,227
Accumulated losses	(19,664,554)	(9,644,007)
	165,560,648	**50,875,908**
Loss of the parent entity	(10,020,547)	(5,832,975)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	**(10,020,547)**	**(5,832,975)**

4.6. Directors' Declaration

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

1. In the opinion of the Directors:

   a) the financial statements and notes of Highfield Resources Limited for the year ended 30 June 2015 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the Company's consolidated financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

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

3. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the Board

Anthony Hall

Managing Director

Adelaide, South Australia
31 August 2015

4.7. Auditor's Independence Declaration

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Highfield Resources Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
31 August 2015

L Di Giallonardo
Partner

4.8. Independent Auditor's Report

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Highfield Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Highfield Resources Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

(a) the financial report of Highfield Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Highfield Resources Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
31 August 2015

5. Additional information

5.1. ASX Aditional Information

5.1. ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 4 August 2015.

Distribution of Share Holders

			Ordinary Shares	
			Number of Holders	Number of Shares
1	-	1,000	113	65,301
1,001	-	5,000	363	1,127,147
5,001	-	10,000	354	2,881,718
10,001	-	100,000	695	24,674,633
100,001	-	and over	176	281,576,204
TOTAL			**1,701**	**310,325,003**

There were 34 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

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

Name	Number of shares	%
J P Morgan Nominees Australia Limited	111,936,286	36.07
HSBC Custody Nominees (Australia) Limited	15,484,407	4.99
Mr Warren William Brown & Mrs Marilyn Helena Brown	10,000,000	3.22
Raul Hidalgo Fernandez	8,410,962	2.71
Jose Manuel Prada Fernandez	8,396,504	2.71
National Nominees Limited	8,370,411	2.70
Derek Carter & Carlsa Carter <The Salamanca Super Fund>	8,321,504	2.68
Citicorp Nominees Pty Limited	7,887,421	2.54
Pedro Antonio Rodriguez Fernandez	7,521,504	2.42
Taycol Nominees Pty Ltd	5,680,000	1.83
Celtic Capital Pte Ltd <Investment 1 A/C>	3,600,000	1.16
Yoix Pty Ltd	3,301,076	1.06
Mr Craig Peter Ball + Mrs Suzanne Katherine Ball <CPB Super Fund A/C>	3,292,384	1.06
Mr Michael Andrew Whiting + Mrs Tracey Anne Whiting <Whiting Family S/F A/C>	3,167,384	1.02
Dorica Nominees Pty Ltd <Super Fund A/C>	3,100,000	1.00
Mr Daniel Eddington + Mrs Julie Eddington <DJ Holdings A/C>	2,925,000	0.94
National Nominees Limited <DB A/C>	2,922,957	0.94
Joneric Pty Ltd <D Stephens Family A/C No 2>	2,701,076	0.87
HGT Investments Pty Ltd	2,500,000	0.81
Sapphire Chip Pty Ltd	2,350,538	0.76
	221,869,414	**71.49**

Unquoted Equity Securities

Options

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at $0.20 on or before 1 November 2016	4,400,000	Taycol Nominees Pty Ltd 2,000,000 options Anthony Hall 2,400,000 options
Options over ordinary shares exercisable at $0.20 on or before 19 October 2016	4,000,000	Taylor Collison 4,000,000 options
Options over ordinary shares exercisable at $0.40 on or before 31 May 2017	7,000,000	Anthony David Hall 2,500,000 options Pedro Rodriguez 1,500,000 options Derek Carter and Carlsa Carter <The Salamanca Super Fund A/C> 1,500,000 options
Options over ordinary shares exercisable at $0.30 on or before 31 January 2017	2,400,000	John Claverley 1,500,000 options Gonzalo Mayoral Fernandez 500,000 options
Options over ordinary shares exercisable at $0.60 on or before 30 June 2017	500,000	
Options over ordinary shares exercisable at $0.60 on or before 31 January 2017	500,000	Helena Mazo 300,000 options Fernando Palero 200,000 options
Options over ordinary shares exercisable at $0.75 on or before 30 June 2018	4,750,000	Bentley Capital Limited 1,000,000 options Foster Stockbroking Nominees Pty Ltd 1,000,000 options
Options over ordinary shares exercisable at $0.75 on or before 11 September 2018	9,500,000	John Claverley 2,500,000 options Ernest Hall 2,000,000 options
Options over ordinary shares exercisable at $1.00 on or before 30 June 2018	750,000	Kien Huynh 300,000 options
Options over ordinary shares exercisable at $1.25 on or before 30 June 2018	4,000,000	Bentley Capital Limited 1,000,000 options Michael Schlumpberger 1,500,000 options Alfredo L. Menéndez Diaz 1,500,000 options

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

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

Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 30 June 2015.

TENEMENT TABLE

SPAIN - Muga, Vipasca, Pintano, Izaga and Sierra del Perdón Projects

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

Project	Region	Permit Name	Permit Type	Applied	Granted	Area Km²	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	7/08/2012	32.48	Geoalcali SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	7/08/2012	75.60	Geoalcali SL	100%
Sierra del Perdón	Navarra	Amplicación de Adiós	Investigation	26/10/2012	14/02/2014	40.90	Geoalcali SL	100%
						148.98		
Muga	Navarra	Goyo	Investigation	19/07/2011	24/12/2012	27.72	Geoalcali SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	Pending	8.96	Geoalcali SL	100%
Muga	Aragón	Fronterizo	Investigation	21/06/2012	5/02/2014	9.80	Geoalcali SL	100%
Muga	Aragón	Muga	Investigation	29/05/2013	7/04/2014	20.40	Geoalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	7.28	Geoalcali SL	100%
						74.16		
Pintano	Aragón	Molineras 10	Investigation	20/11/2012	6/03/2014	18.20	Geoalcali SL	100%
Pintano	Aragón	Molineras 20	Investigation	19/02/2013	Pending	16.80	Geoalcali SL	100%
Pintano	Aragón	Puntarrón	Investigation	7/05/2014	Pending	30.24	Geoalcali SL	100%
						65.24		
Vipasca (Muga)*	Navarra	Vipasca	Investigation	6/11/2013	11/12/2014	38.92	Geoalcali SL	100%
Vipasca (Izaga)*	Navarra	Osquia	Investigation	28/04/2015	Pending	81.20	Geoalcali SL	100%
Vipasca	Navarra	Borneau	Investigation	28/04/2015	Pending	80.33	Geoalcali SL	100%
						200.45		
Izaga	Navarra	Girardi	Investigation	28/04/2015	Pending	79.17	Geoalcali SL	100%
						79.17		
						568.00		

**Permit includes areas in two Projects*

Location of Highfield´s Muga, Vipasca, Pintano, Izaga and Sierra del Perdón Projects in Northern Spain.