



Half-year Financial Report

31 December 2015

www.highfieldresources.com.au

ABN51 153918257

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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)
 Ms. Pauline Carr (Non-Executive Director)
 Mr. Jim Dietz (Non-Executive Director)

Company Secretary

Mr. Donald Stephens

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Auditors

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Stock Exchange

Australian Securities Exchange
 (Home Exchange: Perth, Western Australia)
 ASX Code: HFR

DIRECTORS' REPORT

The Directors of Highfield Resources Limited submit the financial report of the entity for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of Directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

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
Ms. Pauline Carr	Non-Executive Director (appointed 30 October 2015)
Mr. Jim Dietz	Non-Executive Director (appointed 23 November 2015)

Results

The loss after tax for the half-year ended 31 December 2015 was \$2,667,510 (31 December 2014: net loss of \$5,140,552).

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

Overview

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

Mine Optimisation

As part of preparing Muga for construction, Highfield completed further optimisation of the project with a focus on underground design and equipment selection to improve operational efficiencies. Initiatives and outcomes included:

- Altering the mine plan to include an additional sylvinitic seam (Capa A) resulting in an increased mine life from 24 to 47 years. This excludes any potential upside from the substantial Exploration Target;
- Electing to use a combination of continuous miners and road headers to increase productivity in production and infrastructure development;
- Increasing the number of main infrastructure galleries in the mine plan from one to three to reduce ramp up risk and increase likely operational efficiency;
- Increasing the size of the underground conveyor belt system to cater for an increase in underground tonnage and to enable better expansion options;
- Increasing the size of underground storage to enable more flexibility in smoothing grade profile to the processing plant;
- Increasing the size of the conveyor belt to surface in one decline to 1,500 tonnes per hour of material;
- Increasing the size and flexibility of the processing plant to deal with higher throughput of material;
- Altering mine and process plant design to deliver a constant 90k tonnes of granular K60 per month (1.08m tonnes per annum) for the balance of the revised 47-year mine life; and
- Factoring in potential mine expansion into design to allow seamless expansion of production in the future.

The optimisation initiatives have led to an increase in pre-production capex by approximately 7%, from €249.5m (€243.4m plus €6.1m escalation) to €267m. NPV₁₀ and NPV₈ both increased due to the additional mine life to US\$1.46bn and US\$2.04bn respectively.

Expected employment has increased to over 800 full time positions with expected induced indirect employment estimated at a further 3,500 positions.

Resource and Ore Reserve Upgrade

Highfield's independent competent persons, Consultores Independientes en Gestión de Recursos Naturales S.A ("CRN"), calculated an upgraded Mineral Resource Estimate ("MRE") which included the results of geotechnical drill holes (refer ASX announcement dated 29 May 2015), and is an update of the MRE calculated by Agapito Associates, Inc. (refer ASX Release of 24 February 2015).

CRN issued an upgraded JORC Code-compliant Measured and Indicated Mineral Resource Estimate of 224.5m tonnes of sylvinite at an average grade of 13.4% K₂O based on an 8.0% K₂O-in-sylvinitic cutoff grade at a minimum 1.5 metres bed true thickness (Table 1). The estimate also included beds thinner than 1.5 metres where the grade-thickness product exceeds 12.0% K₂O-in-sylvinitic-m, thus satisfying the 8.0% K₂O-in-sylvinitic grade equivalency at 1.5 metres.

It should be noted that the cutoff requirement used to calculate this Resource (and related Reserve) is an increase in comparison to the previous MRE from 24 February 2015, as it no longer includes K₂O contained in carnallite, which is unlikely to be recoverable given the Company's proposed ore treatment methods. The cutoff previously used referred to total K₂O.

Table 1: Muga JORC Mineral Resource Estimate (effective date 17 Nov 2015)

	K ₂ O (%)	MgO (%)	Na ₂ O (%)	Insolubles (%)	Average Bed Thickness (m)	Tonnes In-Place (Mt)
Measured	13.6	0.40	29.6	12.8	2.66	75.1
Indicated	13.3	0.34	29.4	12.3	2.50	149.4
TOTAL MEASURED & INDICATED	13.4	0.36	29.5	12.5	2.55	224.5
Inferred	13.8	0.38	29.7	12.0	2.59	39.2
TOTAL	13.5	0.36	29.5	12.4	2.56	263.7

Notes:

Measured and Indicated Resources are reported inclusive of Proved and Probable Reserves.

Resource Estimate does not include any out-of-bed dilution.

Resource cut-offs: (a) true thickness ≥ 1.5m: grade cutoff ≥ 8.0 K₂O-in-sylvinitic, or (b) true thickness < 1.5m: grade-thickness cutoff ≥ 12.0% K₂O-in-sylvinitic-m.

Resource tonnes reduced by 5% for Measured and Indicated categories and 15% for Inferred category.

Radii of Influence are as follows:

Measured Resource—Potash meeting cutoff criteria located within an ellipse with boundaries 500m along strike and 250m across strike centred on an exploration core hole with assays, except where otherwise limited by geologic boundaries.

Indicated Resource—Potash meeting cutoff criteria located within an ellipse with boundaries 1,500m along strike and 750m across strike centred on an exploration core hole with assays (excluding Resources included in the Measured category), except where otherwise limited by geologic boundaries.

Inferred Resource—Potash meeting cutoff criteria located within an ellipse with boundaries 2,000m along strike and 1,000m centred on an exploration core hole with assays (excluding Resources included in the Measured and Indicated categories), except where otherwise limited by geologic boundaries.

The Ore Reserve used for current mine design and consequent production profile is based upon the updated MRE discussed in this document (refer to Table 1), as calculated by CRN. The updated Ore Reserve is shown below (Table 2):

Table 2: Ore Reserve Summary

Proved Reserves		Probable Reserves		Proved and Probable Reserves	
Mt	K ₂ O (%)	Mt	K ₂ O (%)	Mt	K ₂ O (%)
81.6	11.7	172.1	11.4	253.7	11.5

Notes:

The JORC-compliant Measured and Indicated Resources reported in this document have formed the basis for the calculation of these Proved and Probable Reserves.

Extraction ratios of an average 77% have been applied to the Measured and Indicated Resources reported in this document to calculate Proved and Probable Reserves.

Dilutionary material of approximately 81m tonnes is included in the Reserves. This material has an average grade of 7.5% K₂O.

The current mining plan contemplates an initial mine life of 47 years as shown below (Table 3):

Table 3: Mining Summary

	Tonnes	%
Average per annum ROM	6,219,452	
Total Proved and Probable Ore	253,702,671	86%
Total Inferred Resources	40,430,326	14%
TOTAL ORE AND RESOURCES	294,132,997	100%
Average product per annum	1,022,029	
Total Granular MOP	48,035,356	

Collaboration Agreement with Acciona

Highfield entered into a collaboration agreement with Acciona Infraestructuras (“Acciona”), part of the Acciona Group of Companies, to construct the Muga Potash Mine.

Acciona is a Spanish headquartered company and has many years of experience in construction in Spain. Under the collaboration agreement, Acciona is working with Highfield over a three-month period to prepare a submission to construct the mine and installations under a guaranteed maximum price contract where it is responsible for program, cost and quality risk. Partnering with Acciona is designed to reduce delivery risk to ensure that the mine will be built on time and within budget. The outsourced arrangement is not expected to increase cost. The parties have also agreed to deliver the project in accordance with the Company’s Fair Procurement Policy that gives preference to local suppliers and contractors where possible.

Project Finance mandate

The Company received credit approval from two of the four Mandated Lead Arrangers (“MLA”) to participate in a long-term project finance facility for the development of the Muga mine in December 2015. The third MLA confirmed credit approval in mid-January 2016 with the final MLA expected to confirm credit approval in March 2016.

The credit approvals, which are subject to satisfactory documentation and finalisation of due diligence, are for each bank to participate equally in the eight (8) year term facility and cost overrun facility (together the “Project Finance Facilities”) totalling up to €222m as previously announced (refer to ASX Announcement dated 27 August 2015).

Argus FMB independent report

An independent report by global fertiliser consultant Argus FMB, commissioned by the European project finance banking syndicate, has determined that based on average potash prices for the 2015 calendar year, the Muga mine will position the Company as the highest margin potash producer globally.

The report on the global potash market included a specific focus on the Muga mine and concluded that once in operation, Highfield will be the highest margin producer globally, assuming a sales ratio of 75%/25% into the European and the US markets respectively. The report also concluded that Highfield will be the lowest cost potash producer on a delivered-to-customer basis into the Company’s target markets of Europe, Brazil and the US.

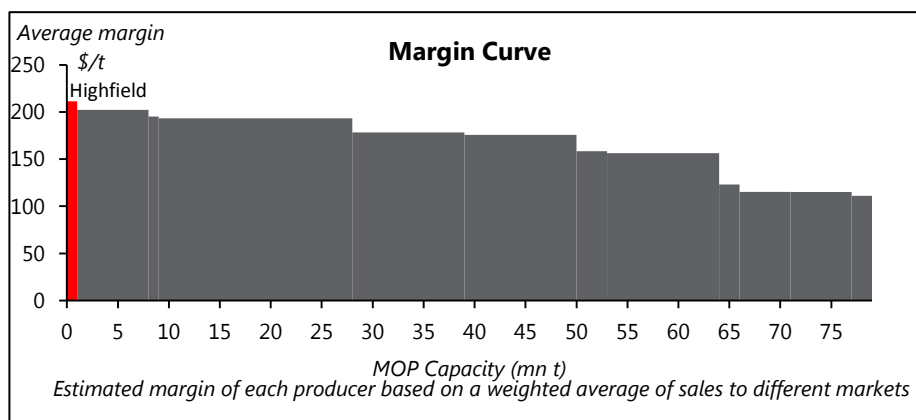


Figure 1: Margin Curve of all Global Potash Producers

More information on Argus FMB’s independent report can be found in the ASX Announcement dated 19 January 2016.

Exploration

Additional exploration results from Muga included an intersection of 31 metres of potash mineralisation starting at a depth to surface of 493 metres in geotechnical drill hole J15-02. The hole was drilled for geotechnical purposes in an area close to the base of the eastern decline, approximately 1km north of the historical Undues de Lerda hole and the modern hole J13-04. Assays results confirmed that the intercepted mineralisation includes beds P0, PA and PB.

The drill hole contained an average grade of 10.8% K₂O, intersecting all three seams within this area of the mine plan including:

- Capa 0 – 4.5 metres at 15.7% K₂O from 503 metres below surface;
- Capa A – 2.4 metres at 17.3% K₂O from 509 metres below surface; and
- Capa B – 3.6 metres at 16.8% K₂O from 514 metres below surface.

The intersection has strengthened Highfield's belief that the deposit is open to the south and there is potential to further extend the project life. More information on drill hole J15-02 can be found in the ASX Announcement dated 18 December 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 the 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.

PINTANOS

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

Pintanos Exploration Target*

The Company released an Exploration Target (refer to ASX Announcement dated 2 September 2015) for the Pintanos Project, which is located adjacent to its flagship Muga Project, immediately to the east.

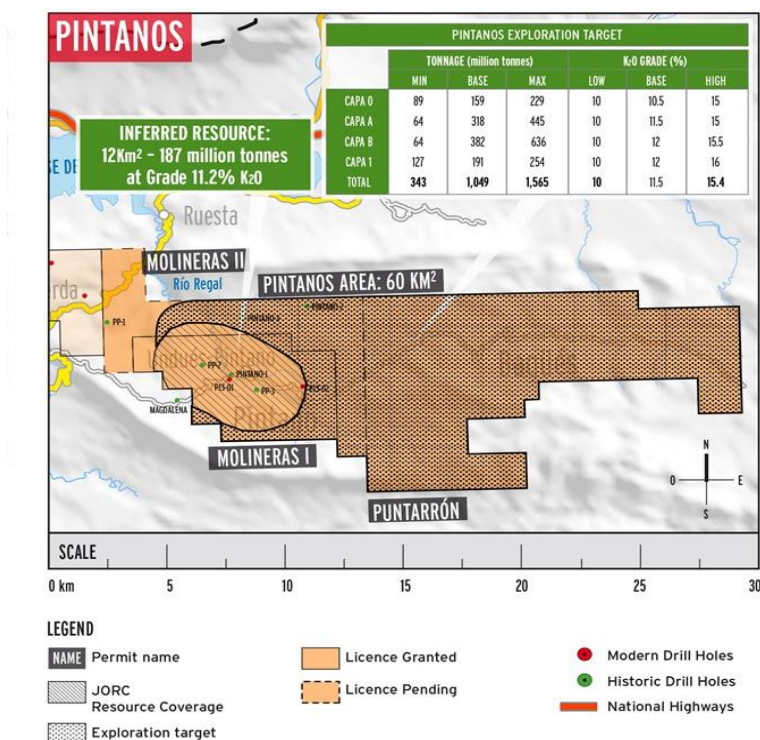


Figure 2: Map of Pintanos Exploration Target

The Exploration Target covers 60km² and includes the three investigation Permits which form the Pintanos Project. The geological continuity and mineralisation within the Pintanos Project area have been proven through a number of historical drill holes, recent drill holes conducted by Highfield, geochemical assay results, geophysical wireline logging, and reinterpretation of seismic data. Strong continuity of potash mineralisation is evident based on these key data points.

Table 4: Exploration Target estimated for the Pintanos Project

PINTANOS EXPLORATION TARGET						
	TONNAGE (million tonnes)			K ₂ O GRADE (%)		
	MIN	BASE	MAX	LOW	BASE	HIGH
CAPA 0	89	159	229	10	10.5	15
CAPA A	64	318	445	10	11.5	15
CAPA B	64	382	636	10	12	15.5
CAPA 1	127	191	254	10	12	16
TOTAL	343	1,049	1,565	10	11.5	15.4

**The potential quantity and grade of the Exploration Target is conceptual in nature. 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.*

VIPASCA

Highfield's 100%-owned Vipasca Project area includes the majority of the Vipasca permit, the entire Borneau permit and half of the Osquia permit. The Company is focusing on the deeper, higher-grade potash mineralisation that occurs in the P1 and P2 potash beds. The beds are located in the Muga sub-basin, which runs along strike to the north-west into the Vipasca permit area.

The Company released an Exploration Target for the Vipasca Project (refer ASX release 6 August 2015), which is located adjacent to its flagship Muga Project, immediately to the west. The Vipasca Exploration Target has been divided into two areas: the Rocaforte Target, which covers an area of approximately 60km²; and the Osquia Target with an area of approximately 31km². 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 1,500m 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.

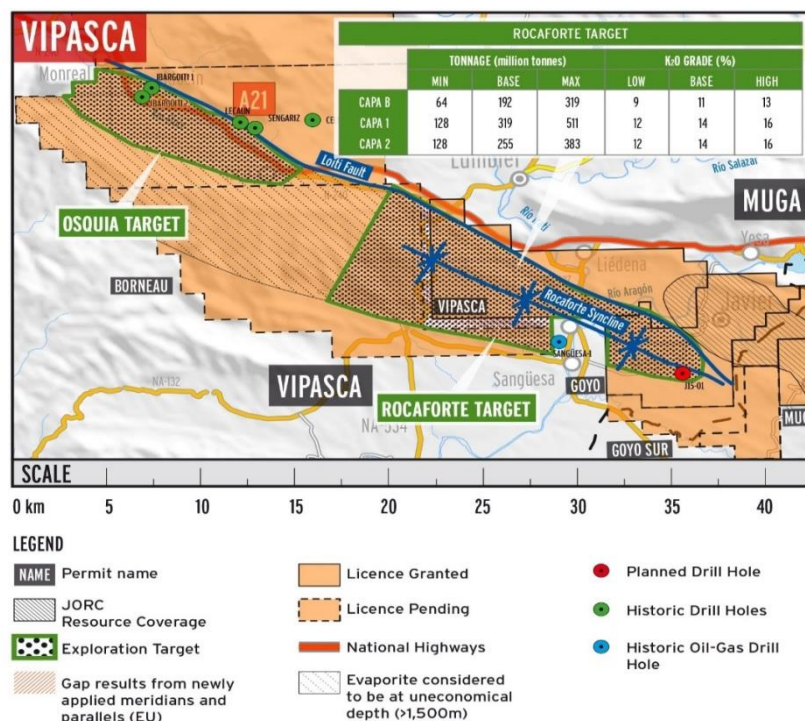


Figure 3: Map of Vipasca Exploration Target

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.

The Exploration Target is based upon historical drill hole lithological logs, and the reprocessing of seismic data by independent Spanish consultant GESSAL, which was interpreted to show the continuity of the potash bearing evaporite unit across Vipasca.

Table 5. Rocaforte Exploration Target

	TONNAGE (million tonnes)			K ₂ O 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 6. Osquia Exploration Target

	TONNAGE (million tonnes)			K ₂ O 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

The total Vipasca Exploration Target* is summarised as follows:

Table 7. Total Exploration Target

	TONNAGE (million tonnes)			K ₂ O 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

**The potential quantity and grade of the Exploration Target is conceptual in nature. 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.*

Drill Hole J15-01

The Company recently stopped the first exploration drill hole, J15-01 at a depth of 1,216m beneath surface. Based on regional geology the Company believes the targeted mineralisation horizon was likely to occur at depths greater than 1,500m. This drill hole has been important to demonstrate that the regional geological profile extends into the Rocaforte syncline structure. Additional drill holes are being planned, to target likely shallower areas of the structure.

IZAGA

Highfield's 100%-owned 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. Permit applications are currently under consideration and likely to be determined in the first half of 2016.

BASIN WIDE POTASH PRODUCTION AND LOGISTICS SCHEME

The Company is investigating options for the exploitation of potash and salt mineralisation across its basin-wide project portfolio.

The Company has prepared an outline feasibility study for the exploitation of potash and salt mineralisation across its basin-wide project portfolio. The study introduces options to directly access rail transport, which in turn creates significant potential with respect to the export of salt to US and Asian markets. Global engineering consultancy, AECOM, has been appointed to provide further support to the Company's engineering team and will report on multiple transport options including rail extensions and slurry pipelines to a railhead.

SOP FROM MOP PROJECT

As part of the Company's aspirations to become a significant global potash producer it is exploring options to convert some of its potash production (MOP or KCl) to the specialty fertiliser SOP (K_2SO_4). With the significant premium in SOP pricing over MOP in the United States, it believes there is an opportunity to earn substantial additional margin from converting some of its MOP production to SOP.

The Company expects to complete a scoping study level assessment of the opportunity by April 2016.

CORPORATE

Independent Directors

Highfield appointed Mr. James "Jim" F. Dietz as an independent Non-Executive Director in November 2015. Jim has more than 40 years of experience in the fertiliser, chemical and petroleum industries, primarily in senior operational roles. From 2000 to 2010 he was Chief Operating Officer of Potash Corporation of Saskatchewan, the world's largest fertiliser company, as part of a 17-year tenure with the company. He was responsible for global operations, safety, health and environment performance and procurement. Jim is a chemical engineer and holds a Masters and Bachelors designation from Ohio State University.

Ms. Pauline Carr was appointed as an independent Non-Executive Director following the receipt of the requisite shareholder approvals at the 2015 AGM. Pauline is an experienced mining executive with over 25 years' commercial experience in the fields of management, corporate governance and compliance, mergers and acquisitions, investor and stakeholder relations and corporate restructures.

Spanish Professional Team

The Company appointed experienced mining executive, Mike Norris to the position of Chief Financial Officer. Mr. Norris is a qualified chartered accountant with almost 30 years' commercial experience, primarily gained in the mining industry. Most recently, Mr. Norris was Finance Director of London-listed West African gold producer Avocet Mining.

During the half-year, the Company continued to enhance the skills and expertise of its professional team to the level required to commence construction of the Muga Mine. The Company now employs over 50 professionals in Spain.

Confirmation of ISO compliance

On 8 September 2015 Geoalcali SL, the Spanish operating entity of the Company, achieved ISO compliant certification for its Integrated Management System including all aspects of environmental management to ISO 14001: 2004, quality management to ISO 9001: 2008, health and safety management to OHSAS 18001: 2007 and management systems for sustainable mining to UNE 22480. The systems were implemented during late 2013 and 2014 and were positively audited by TÜV Rheinland Ibérica on 29 June 2015.

Aside from being an essential part of the operational management of the Company, the certification incrementally supports the Company's intention to become a point of reference for best practise mining and mineral processing activity in Spain, and will help to support the undertakings made as part of the permitting process.

Inclusion in S&P/ASX 300 Index

On 4 September 2015, S&P Dow Jones announced that the Company would be included in the S&P/ASX 300 Index, effective 18 September 2015 after market close.

GEOALCALI FOUNDATION

Overview

The Geoalcali Foundation is a not-for-profit Spanish foundation, supported exclusively by the Company. It was established to deliver projects into the communities in which the Company will operate its mines.

Projects

Ongoing initiatives include a fertiliser education program in collaboration with the Agricultural Technology Centre of Aragón, the OrganiK nursery and fertiliser project, and a number of social welfare programs and cultural initiatives throughout the region. The Geoalcali Foundation now supports over 15 community projects.

SUBSEQUENT EVENTS

On 2 February 2016, the Company issued 250,000 ordinary fully paid shares upon conversion of unlisted options exercisable at \$0.75, expiring on 30 June 2018. Total consideration received was \$187,500.

The Company's Spanish subsidiary, Geoalcali SL, entered into an equipment supply contract on 18 February 2016. The total value of the supply contract is US\$15.28 million (AU\$20.94 million) and the contract includes normal commercial conditions including the ability of Geoalcali SL to withdraw from the contract at any time.

On 22 February 2016, 750,000 unlisted options exercisable at \$2.50 on or before 30 June 2019 were issued to contractors of the Company. The options will vest twelve months from the issue date.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 9 and forms part of this Directors' report for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Anthony Hall
Managing Director

Adelaide, South Australia
29 February 2016

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, Mineral Resources, Exploration Results and Exploration Targets 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, Ore Reserves or Exploration Targets through the ASX. Mr. José Antonio Zuazo-Osinaga has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Highfield Resources Limited for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
29 February 2016



L Di Giallonardo
Partner

Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2015

	Note	31 December 2015 \$	31 December 2014 \$
Continuing Operations			
Interest received		1,246,362	275,467
Gain on derivative financial instrument	6	492,648	-
Gain on foreign exchange		845,545	175,482
Listing and share registry expenses		(90,832)	(73,928)
Professional and consultants' fees		(917,877)	(859,819)
Employee costs		(203,373)	(421,488)
Donations		(159,496)	(213,523)
Other expenses		(389,823)	(516,973)
Share based payments expense	9	(3,198,101)	(3,166,076)
Travel and accommodation expenses		(292,563)	(339,694)
Loss from continuing operations before income tax		(2,667,510)	(5,140,552)
Income tax expense		-	-
Loss from continuing operations after income tax		(2,667,510)	(5,140,552)
Net loss for the period		(2,667,510)	(5,140,552)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		308,028	391,738
Other comprehensive income for the period net of tax		308,028	391,738
Total comprehensive result for the period		(2,359,482)	(4,748,814)
Loss per share			
Basic loss per share (cents)		(0.86)	(2.85)

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

Condensed Consolidated Statement of Financial Position

as at 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
Current Assets			
Cash and cash equivalents		107,586,337	118,776,438
Other receivables	3	2,010,460	1,562,162
Total Current Assets		109,596,797	120,338,600
Non-Current Assets			
Other receivables		31,716	30,755
Property, plant and equipment		361,594	309,030
Deferred exploration & evaluation expenditure	4	60,697,085	48,686,230
Total Non-Current Assets		61,090,395	49,026,015
Total Assets		170,687,192	169,364,615
Current Liabilities			
Trade and other payables	5	1,772,897	981,727
Derivative financial instruments	6	1,545,496	2,038,144
Total Current Liabilities		3,318,393	3,019,871
Total Liabilities		3,318,393	3,019,871
Net Assets		167,368,799	166,344,744
Equity			
Issued capital	7	166,168,371	165,982,935
Reserves	8	22,707,803	19,201,674
Accumulated losses		(21,507,375)	(18,839,865)
Total Equity		167,368,799	166,344,744

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

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2015

	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign exchange translation reserve \$	Option premium reserve \$	Performance share reserve \$	Total \$
Balance at 1 July 2014	34,797,688	(9,403,540)	2,722,227	(222,391)	-	23,000,000	50,893,984
Total comprehensive income for the half-year							
Loss for the half-year	-	(5,140,552)	-	-	-	-	(5,140,552)
Other comprehensive income	-	-	-	391,738	-	-	391,738
Total comprehensive result for the half-year	-	(5,140,552)	-	391,738	-	-	(4,748,814)
Transactions with owners in their capacity as owners							
Shares issued during the half-year	22,194,000	-	-	-	-	-	22,194,000
Options issued during the half-year	-	-	-	-	1,000	-	1,000
Cost of issue	(616,846)	-	-	-	-	-	(616,846)
Share based payment	-	-	3,766,076	-	-	-	3,766,076
Balance at 31 December 2014	56,374,842	(14,544,092)	6,488,303	169,347	1,000	23,000,000	71,489,400
Balance at 1 July 2015	165,982,935	(18,839,865)	7,741,267	(40,593)	1,000	11,500,000	166,344,744
Total comprehensive income for the half-year							
Loss for the half-year	-	(2,667,510)	-	-	-	-	(2,667,510)
Other comprehensive income	-	-	-	308,028	-	-	308,028
Total comprehensive result for the half-year	-	(2,667,510)	-	308,028	-	-	(2,359,482)
Transactions with owners in their capacity as owners							
Shares issued during the half-year	187,500	-	-	-	-	-	187,500
Cost of issue	(2,064)	-	-	-	-	-	(2,064)
Share based payment	-	-	3,198,101	-	-	-	3,198,101
Balance at 31 December 2015	166,168,371	(21,507,375)	10,939,368	267,435	1,000	11,500,000	167,368,799

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

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2015

	31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities		
Payments to suppliers and employees	(2,047,671)	(3,460,789)
Interest received	1,155,674	100,871
Net cash flows used in operating activities	(891,997)	(3,359,918)
Cash flows from investing activities		
Purchase of plant and equipment	(42,910)	(22,234)
Payments for exploration expenditure and project acquisition	(11,286,174)	(4,956,651)
Net cash used in investing activities	(11,329,084)	(4,978,885)
Cash flows from financing activities		
Proceeds from issue of shares	187,500	22,194,000
Proceeds from issue of options	-	1,000
Payments for share issue costs	(2,065)	(514,922)
Net cash provided by financing activities	185,435	21,680,078
Net (decrease)/increase in cash and cash equivalents	(12,035,646)	13,341,275
Cash and cash equivalents at the beginning of the period	118,776,438	11,565,261
Effect of exchange rate fluctuations on cash	845,545	177,058
Cash and cash equivalents at the end of the period	107,586,337	25,083,594

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



1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield" or "the Company") for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 26 February 2016. 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

These general purpose financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with applicable accounting standards including AASB 134 "Interim Financial Reporting" and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 "Interim Financial Reporting".

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made by Highfield Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year report has been prepared on an accruals basis and is based on historical costs. For the purpose of preparing the half-year financial report the half-year has been treated as a discrete reporting period.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Highfield Resources Limited ("the Company") and its subsidiaries as at 31 December each half-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.

(c) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(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 year end 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:



Highfield Resources Limited

Notes to the Condensed Financial Statements for the half-year ended 31 December 2015

- 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 the establishment 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.

	Six Months Ended 31 December 2015 \$	Year Ended 30 June 2015 \$
3. Other Receivables – Current		
GST receivable	57,879	258,659
VAT receivable	961,493	443,879
Other	991,088	859,624
	2,010,460	1,562,162

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

4. Deferred Exploration & Evaluation Expenditure

Opening balance	48,686,230	39,726,633
Acquisition of exploration tenements	-	600,000 ¹
Exploration and evaluation expenditure incurred during the period	11,603,494	8,271,549
Net exchange differences on translation	407,361	88,048
Closing balance	60,697,085	48,686,230

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.

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

5. Trade and Other Payables

Trade payables	1,137,062	937,129
Other payables	18,470	17,497
Accruals	617,365	27,101
	1,772,897	981,727

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.



6. Derivative Financial Instruments

This note summarises the impact of the derivative financial instruments 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 23 December 2015 the Company restructured its existing Currency Forward Contract. The terms of the Transaction are as follows:

▪ Stage 1

Currency Option	
Call Currency and Call Currency Amount	AUD 22,727,273
Put Currency and Put Currency Amount	EUR 15,000,000
Protection Rate	0.6600
Expiration Date	31 March 2016

▪ Stage 2

Currency Option	
Call Currency and Call Currency Amount	AUD 42,402,827
Put Currency and Put Currency Amount	EUR 30,000,000
Strike Rate	0.7075
Protection Rate	0.6600
Expiration Date	30 June 2016

▪ Stage 3

Currency Option	
Call Currency and Call Currency Amount	AUD 42,402,827
Put Currency and Put Currency Amount	EUR 30,000,000
Strike Rate	0.7075
Protection Rate	0.6600
Expiration Date	30 September 2016

	Six Months Ended 31 December 2015 \$	Year Ended 30 June 2015 \$
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Movements in Derivative Financial Instruments:

Opening balance	(2,038,144)	-
Movement in fair value of the derivative financial liability	492,648	(2,038,144)
Closing balance	(1,545,496)	(2,038,144)

	31 December 2015 \$	30 June 2015 \$
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7. Issued Capital

(a) Issued and paid up capital

Issued and fully paid	166,168,371	165,982,935
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	Six Months Ended 31 December 2015 No.	\$
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(b) Movements in ordinary shares on issue

Six months ended 31 December 2015:

Opening balance	310,325,003	165,982,935
Shares issued upon conversion of unlisted options ¹	250,000	187,500
Transaction costs on share issue	-	(2,064)
Closing balance	310,575,003	166,168,371



Highfield Resources Limited

Notes to the Condensed Financial Statements for the half-year ended 31 December 2015

¹ On 30 October 2015, 250,000 shares were issued upon conversion of unlisted options exercisable at \$0.75, expiring on 30 June 2018.

	Year Ended 30 June 2015	
	No.	\$
Year ended 30 June 2015:		
Opening Balance	155,825,003	34,797,688
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
Transaction costs on share issue	-	(4,333,753)
	310,325,003	165,982,935

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.

	31 December 2015	30 June 2015
	\$	\$
8. Reserves		
Share based payments reserve ¹	10,939,368	7,741,267
Foreign currency translation reserve ²	267,435	(40,593)
Performance share reserve ³	11,500,000	11,500,000
Option premium reserve ⁴	1,000	1,000
	22,707,803	19,201,674

¹ The share based payments 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 9 for further details of the options issued during the half-year ended 31 December 2015.

² The foreign exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

³ 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 and water and energy contracts necessary to operate the mine).

⁴ The option premium reserve is used to record the amount received on the issue of options.



9. Share Based Payments

(a) 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 and contractors 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, employees and eligible contractors 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, the expected price volatility of the underlying share and the risk free interest rate for the term of the option.

The table below summarises options granted during the half-year ended 31 December 2015:

Grant Date	Expiry date	Exercise price per option	Balance at start of the half-year Number	Granted during the half-year Number	Exercised during the half-year Number	Expired during the half-year Number	Balance at end of the half-year Number	Exercisable at end of the half-year Number
11/08/2015	30/06/2019	\$2.00	-	2,500,000	-	-	2,500,000	¹
30/10/2015	30/06/2019	\$2.00	-	11,500,000	-	-	11,500,000	²
17/11/2015	30/06/2019	\$2.00	-	725,000	-	-	725,000	³
				14,725,000			14,725,000	-

¹ Employees were granted 2,500,000 options exercisable at \$2.00 each on or before 30 June 2019. The options will vest on the earlier of:

- (a) 30 June 2016, provided that the optionholder remains in their capacity as an employee of the Company on this date; and
- (b) the occurrence of a change of control event.

² Directors and employees were granted 11,500,000 options exercisable at \$2.00 each on or before 30 June 2019. The options will vest on the earlier of:

- (a) 30 June 2016; and
- (b) the occurrence of a change of control event.

³ Employees were granted 725,000 options exercisable at \$2.00 each on or before 30 June 2019. The options will vest on the earlier of:

- (a) achievement of 12 months employment with Geoalcali SL; and
- (b) the occurrence of a change of control event.

The expense recognised in respect of the above options granted during the half-year was \$2,321,051. The expense recognised during the half-year on options granted in prior periods was \$413,332.

The model inputs, not included in the table above, for options granted during the half-year ended 31 December 2015 included:

- (a) options were granted for no consideration;
- (b) expected lives of the options range from 3.6 to 3.9 years;
- (c) share price at grant date ranged from \$1.26 to \$1.55;
- (d) expected volatility of 60%;
- (e) expected dividend yield of Nil; and
- (f) a risk free interest rate of 2.00%

(b) Share-based payment to suppliers

During the half-year ended 31 December 2015 the Company issued unlisted options to a consultant for services rendered during the financial period 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 Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
11/08/2015	30/06/2019	\$2.00	-	500,000	-	-	500,000	¹



¹ The options will vest on the earlier of:

- (a) 30 June 2016, provided that the optionholder remains in their capacity as consultant to the Company on this date; and
- (b) the occurrence of a change of control event.

The expense recognised in respect of the above options granted during the half-year was \$94,867. The expense recognised during the half-year on options granted in prior periods was \$368,851.

The model inputs, not included in the table above, for options granted during the half-year ended 31 December 2015 included:

- (a) options were granted for no consideration;
- (b) expected life of options is 3.9 years;
- (c) share price at grant date of \$1.26
- (d) expected volatility of 60%;
- (e) expected dividend yield of Nil; and
- (f) a risk free interest rate of 2.00%.

10. Dividends

No dividends have been paid or provided for during the half-year.

11. Contingent Assets and Liabilities

There are no known contingent assets or liabilities.

12. Subsequent Events

On 2 February 2016, the Company issued 250,000 ordinary fully paid shares upon conversion of unlisted options exercisable at \$0.75, expiring on 30 June 2018. Total consideration received was \$187,500.

The Company's Spanish subsidiary, Geoalcali SL, entered into an equipment supply contract on 18 February 2016. The total value of the supply contract is US\$15.28 million (AU\$20.94 million) and the contract includes normal commercial conditions including the ability of Geoalcali SL to withdraw from the contract at any time.

On 22 February 2016, 750,000 unlisted options exercisable at \$2.50 on or before 30 June 2019 were issued to contractors of the Company. The options will vest twelve months from the issue date.



Directors' Declaration

In the opinion of the Directors of Highfield Resources Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year then ended; and.
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.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Anthony Hall
Managing Director

Adelaide, South Australia
29 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Highfield Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Highfield Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Highfield Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB Mann Judd
Chartered Accountants



L Di Giallonardo
Partner

Perth, Western Australia
29 February 2016