

ANNOUNCEMENT TO AUSTRALIAN SECURITIES EXCHANGE

28 April 2017

ASX Limited
Companies Announcement Office
Electronic Lodgement System

Dear Sirs

Section 708A Notice – Shares Issued on Conversion of Unlisted Options

Highfield Resources Limited (**Company**) hereby provides notice to the ASX for the purpose of section 708A(5)(e) of the *Corporations Act 2001* (Cth) that it has issued 250,000 fully paid ordinary shares in the Company (**Shares**) without disclosure to investors under Part 6D.2 of the *Corporations Act 2001* (Cth).

The Company states that as at the date of this notice it:

- has complied with the provisions of Chapter 2M of the *Corporations Act 2001* (Cth) as they apply to the Company;
- has complied with section 674 of the *Corporations Act 2001* (Cth); and
- is not aware of any excluded information within the meaning of sections 708A(7) and 708A(8) of the *Corporations Act* (Cth).

An Appendix 3B relating to this issue and the issue of 2,830,000 unlisted options is attached to this announcement.

Yours Faithfully

Donald Stephens
Company Secretary**Highfield Resources Ltd.**
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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

HIGHFIELD RESOURCES LIMITED

ABN

51 153 918 257

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | a) Fully Paid Ordinary Shares
b) Unlisted Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | a) 250,000
b) 2,830,000 |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | a) Same terms as ordinary securities – conversion of unlisted options exercisable at \$0.40 on or before 31 May 2017.
b) Unlisted options exercisable at \$1.85 each on or before 18 November 2024. Options shall vest on the satisfaction of Market Performance and Total Shareholder Return vesting conditions as detailed in Annexure 2. |

+ See chapter 19 for defined terms.

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New issue announcement

<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>a) Yes</p> <p>b) The options issued will not participate in dividends until shares are issued upon exercise of the options.</p>
<p>5 Issue price or consideration</p>	<p>a) \$0.40 each</p> <p>b) Unlisted options were granted for nil consideration.</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>a) Exercise of unlisted options.</p> <p>b) Unlisted options were granted pursuant to the Company's Employee Long Term Incentive Plan.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>N/A</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>N/A</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>N/A</p>

+ See chapter 19 for defined terms.

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6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A	
6f	Number of +securities issued under an exception in rule 7.2	a) 250,000 b) 2,830,000	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	7.1 – 48,491,250	
7	<p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	a) 28 April 2017 b) 28 April 2017	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		323,275,003	Ordinary Shares

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	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	
	5,250,000	Unlisted Options exercisable at \$0.40 on or before 31/05/17
	500,000	Unlisted Options exercisable at \$0.60 on or before 30/06/17
	3,550,000	Unlisted Options exercisable at \$0.75 on or before 30/06/18
	9,500,000	Unlisted Options exercisable at \$0.75 on or before 11/09/18
	750,000	Unlisted Options exercisable at \$1.00 on or before 30/06/18
	4,000,000	Unlisted Options exercisable at \$1.25 on or before 30/06/18
	5,830,000	Unlisted Options exercisable at \$1.85 on or before 18/11/24
	17,125,000	Unlisted Options exercisable at \$2.00 on or before 30/06/19
	4,550,000	Unlisted Options exercisable at \$2.50 on or before 30/06/19
	50,000,000	Class B Performance Shares

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A
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Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
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12	Is the issue renounceable or non-renounceable?	N/A
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13	Ratio in which the +securities will be offered	N/A
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14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A

+ See chapter 19 for defined terms.

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- | | | |
|----|---|-----|
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | N/A |
| 28 | Date rights trading will begin (if applicable) | N/A |
| 29 | Date rights trading will end (if applicable) | N/A |
| 30 | How do security holders sell their entitlements <i>in full</i> through a broker? | N/A |
| 31 | How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | N/A |
| 32 | How do security holders dispose of their entitlements (except by sale through a broker)? | N/A |
| 33 | +Issue date | N/A |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(tick one)

(a) +Securities described in Part 1

(b) All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 and over
- 37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- 38 Number of +securities for which +quotation is sought N/A
- 39 +Class of +securities for which quotation is sought N/A
- 40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

 If the additional +securities do not rank equally, please state:
 • the date from which they do
 • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
 • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
- N/A
- 41 Reason for request for quotation now N/A

 Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	310,825,003
<p>Add the following:</p> <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 	153,333 – 17 August 2016 250,000 – 6 September 2016 46,667 – 5 October 2016 250,000 – 12 October 2016 4,000,000 – 12 October 2016 2,400,000 – 14 October 2016 2,000,000 – 18 October 2016 100,000 – 15 November 2016 100,000 – 6 December 2016 500,000 – 13 November 2016 600,000 – 14 December 2016 200,000 – 19 December 2016 100,000 – 23 December 2016 500,000 – 12 January 2017 1,000,000 – 31 March 2017 250,000 – 28 April 2017
<ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period 	Nil
<p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	323,275,003

+ See chapter 19 for defined terms.

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Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	48,491,250
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“C”	-
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	48,491,250
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	-
Total [“A” x 0.15] – “C”	48,491,250 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Unlisted Option Terms – Annexure 2.

1. Each option entitles the holder to one ordinary share in the Company.
2. Subject to paragraph 3, the options held by the optionholder are exercisable in whole or in part at any time during the period (Exercise Period) commencing on the date of grant and expiring at 5.00 pm (WST) on that date which is eight (8) years after the date of grant (Expiry Date). Options not exercised on or before the Expiry Date will lapse.
3. Prior to the Expiry Date, the options shall vest on satisfaction of the following **Vesting Conditions** (each a **Vesting Condition**):

A. Market Based Performance:

50% of a participant's options (known as the **Market Performance -Options**) will be assessed for vesting based upon the Company's relative share price performance at the start of the vesting period, being the 20 day Volume Weighted Average Price (**VWAP**) of the Company's shares immediately preceding 1 July each year, to the closing price of the Company's shares at the conclusion of the vesting period, being the 20 day VWAP immediately preceding 30 June, versus the S&P/ASX 300 Resources Index (XKR) in accordance with a defined scale as follows:

- Below 10% of index performance = nil vesting;
- Between -10% and (0%) of index performance = vests 2.5% per 1% so "at index" 25% vests;
- Above index performance = vests at 3% per 1% so at 25% above index 100% vests;

The S&P/ASX 300 Resources Index (XKR) will be measured at the start of the vesting period each year (opening index price on 1 July) and again at the end of the vesting period (closing index price on 30 June); and

B. Total Shareholder Return:

50% of a participant's options (known as the **TSR-Options**) will be assessed for the vesting based upon the Company's Total Shareholder Return from the opening price of the Company's shares at the start of the Vesting Period to the closing price of the Company's shares at the conclusion of the vesting period;

The performance measure is absolute performance based on compound annual growth rate achieved in Total Shareholder Return;

$$TSR_{Compound} \% = \left(\left(\frac{End\ VWAP + \sum Divis\ per\ share\ Over\ 3yr\ vesting\ period}{Start\ VWAP} \right)^{\frac{1}{Time\ period\ Years}} - 1 \right) 100$$

The proportion of the TSR Options that vest into Shares will be determined in accordance with the following vesting scale:

- Zero to 10% = vests at 3% per 1% so at 10% TSR 30% vests;
- Above 10% = vests at 7% per 1% so at 20% TSR 100% vests.

4. The optionholder must notify the Company at least five business days before exercising any options. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$1.85 per option in cleared funds.
5. The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
6. The Board has the discretion to waive the Vesting Conditions, including if any of the following events occur:
 - (a) if a takeover bid is made, the takeover bid is declared unconditional and the bidder has acquired a relevant interest in more than 50% of the Company's shares; or
 - (b) on the date of despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act seeking approval for a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
 - (c) on the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the options, to sufficient shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (a) elect to be registered as the new holder of the options;
 - (b) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
 - (c) if the deceased has already exercised options, pay the exercise price in respect of those options.
8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

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

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

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

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

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

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

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

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