

HIGHFIELD RESOURCES LIMITED
ACN 153 918 257

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting

30 November 2017

Time of Meeting

11.00 am (Adelaide time)

Place of Meeting

Mayfair Hotel
45 King William Street
Adelaide SA 5000

NOTICE OF ANNUAL GENERAL MEETING

HIGHFIELD RESOURCES LIMITED ACN 153 918 257

Notice is hereby given that the Annual General Meeting of shareholders of Highfield Resources Limited (**Company**) will be held at the Mayfair Hotel, 45 King William Street, Adelaide, South Australia at 11.00 am (Adelaide time) on 30 November 2017.

Ordinary Business

To consider the Financial Statements for the financial year ended 30 June 2017 and accompanying reports of the Directors and Auditor.

Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, pass, with or without amendment, the following resolution as a non-binding ordinary resolution:

‘That the Company adopt the Remuneration Report for the year ended 30 June 2017 as set out in the Company’s Annual Report for the year ended 30 June 2017.’

Resolution 2: Re-election of Mr Owen Hegarty as Director

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

‘That Mr Owen Hegarty, having voluntarily retired in accordance with clause 12.11.1 of the Constitution and being eligible, and offering himself, for re-election, is re-elected as a Director with effect immediately following the conclusion of the Meeting.’

Resolution 3: Re-election of Ms Pauline Carr as Director

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

‘That Ms Pauline Carr, having voluntarily retired in accordance with clause 12.11.1 of the Constitution and being eligible, and offering herself, for re-election, is re-elected as a Director with effect immediately following the conclusion of the Meeting.’

Resolution 4: Approval of Amended Employee Long Term Incentive Plan

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

‘That for the purpose of Listing Rule 7.2, Exception 9(b) and for all other purposes, the Company approves the issue of securities under the amended employee incentive scheme known as ‘Highfield Resources Limited Employee Long Term Incentive Plan’, the rules of which are annexed as Annexure A to the Explanatory Memorandum which is attached to and forms part of this Notice, as an exception to Listing Rule 7.1.’

Resolution 5: Issue of Options to Group Managing Director – Mr Peter Albert

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

‘That for the purposes of Listing Rule 10.14 and for all other purposes, approval is given to the issue by the Company of 1,820,654 Options to Mr Peter Albert under the employee incentive scheme known as ‘Highfield Resources Limited Employee Long Term Incentive Plan’, the rules of which are annexed as Annexure A to the Explanatory Memorandum which is attached to and forms part of this Notice.’

Resolution 6: Issue of Options to Consultant – Mr Isaac Querub

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

‘That for the purpose of Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 1,000,000 Options to Mr Isaac Querub (and/or his nominee) on the terms and conditions set out in the Explanatory Memorandum.’

Resolution 7: Issue of Options to Consultant – Mr Sixto Jimenez

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

‘That for the purpose of Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 500,000 Options to Mr Sixto Jimenez (and/or his nominee) on the terms and conditions set out in the Explanatory Memorandum.’

DATED 30 OCTOBER 2017

**BY ORDER OF THE BOARD
HIGHFIELD RESOURCES LIMITED**



**DONALD STEPHENS
COMPANY SECRETARY**

NOTES:

1. Explanatory Memorandum

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

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

2. Voting Exclusion Statements

(a) Resolution 1

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (i) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (ii) the person is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

(b) Resolution 4

- (i) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 4 if:
 - the person is either:
 - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
 - a Closely Related Party of such a member; and
 - the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
 - the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.
- (ii) For the purposes of the Listing Rules, the Company will disregard any votes cast on Resolution 4 by any Director of the Company (except one who is ineligible to participate in the Highfield Resources Limited Employee Long Term Incentive Plan) and any associates of that Director of the Company.

However, subject always to paragraph 2(b)(i), the Company will not disregard a vote if:

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

(c) **Resolution 5**

(i) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 5 if:

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

However, the Company will not disregard a vote if:

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

(ii) For the purposes of the Listing Rules, the Company will disregard any votes cast on Resolution 5 by any Director of the Company who is eligible to participate in the Highfield Resources Limited Employee Long Term Incentive Plan and any associates of that Director of the Company.

However, subject always to paragraph 2(c)(i), the Company will not disregard a vote if:

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

(d) **Resolution 6**

The Company will disregard any votes cast on Resolution 6 by a person who may participate in the proposed issue of securities and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and associates of that person.

However, the Company will not disregard a vote if:

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

(e) **Resolution 7**

The Company will disregard any votes cast on Resolution 7 by a person who may participate in the proposed issue of securities and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and associates of that person.

However, the Company will not disregard a vote if:

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

3. **Proxies**

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

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

- 3.1 cast the shareholder's vote online by visiting www.advancedshare.com.au/investors.aspx; or
- 3.2 complete and lodge a validly completed and signed paper proxy form at the share registry of the Company, Advanced Share Registry Services:
 - (a) in person at the following address:
Advanced Share Registry
110 Stirling Highway
NEDLANDS WA 6009

OR

 - (b) by post at the following address:
Advanced Share Registry
PO Box 1156
NEDLANDS WA 6909

OR

 - (c) by facsimile on (08) 9262 3723 (within Australia) or +61 8 9262 3723 (outside Australia); or
- 3.3 for Intermediary Online subscribers only (custodians), cast the shareholder's vote online by visiting www.advancedshare.com.au/investors.aspx,

so that it is received no later than 11.00 am (Adelaide time) on 28 November 2017.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on each of Resolutions 1, 4 and 5 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolutions 1, 4 and 5 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the chair may change his or her voting intention on any resolution, in which case an ASX announcement will be made.

4. **'Snap Shot' Time**

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7.00 pm (Adelaide time) on 28 November 2017 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. **Corporate Representative**

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

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening the Annual General Meeting of shareholders of Highfield Resources Limited to be held on 30 November 2017. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 7 (inclusive).

1. RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

The Annual Report for the year ended 30 June 2017 contains a Remuneration Report which sets out the remuneration policy of the Company.

An electronic copy of the 2017 Annual Report is available to download or view on the Company's website at www.highfieldresources.com.au. The 2017 Annual Report has also been sent by post to those shareholders who have previously elected to receive a hard copy. In addition, the Company has also enabled online voting, details of which are explained on the proxy form.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 1 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

Section 250R(4) of the Corporations Act prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, under section 250R(5) of the Corporations Act a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (b) the person is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 1 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the proxy form.

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

Resolution 1 is an advisory resolution.

Please also note that under sections 250U and 250V of the Corporations Act, if at two consecutive annual general meetings of a listed company at least 25% of votes cast on a resolution that the remuneration report be adopted are against adoption of the report, at the second of these annual general meetings there must be put to the vote a resolution that another meeting be held within 90 days at which all directors (except the managing director) who were directors at the date the remuneration report was approved at the second annual general meeting must stand for re-election. So, in summary, shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report receives 'two strikes'. The Remuneration Report did not receive a 'first strike' at the Company's 2016 annual general meeting.

2. **RESOLUTION 2: RE-ELECTION OF MR OWEN HEGARTY AS DIRECTOR**

Clause 12.11.1 of the Constitution requires that at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third must retire from office. Clause 12.13 of the Constitution provides that a Director retiring at an annual general meeting who is not disqualified by law from being reappointed is eligible for re-election. Accordingly, Mr Owen Hegarty retires as a Director and, being eligible, offers himself for re-election.

A resume for Mr Hegarty follows:

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. 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 the Executive Chairman of specialist resources private equity firm, EMR Capital, the Company's largest shareholder and cornerstone investor.

In the three years before the end of the financial year Mr Hegarty is, or has been, 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 was also a Director of the AusIMM, and is a member of a number of Government and industry advisory groups.

Resolution 2 is an ordinary resolution.

The Directors (other than Mr Hegarty) recommend that shareholders vote in favour of Resolution 2.

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

3. **RESOLUTION 3: RE-ELECTION OF MS PAULINE CARR AS DIRECTOR**

Clause 12.11.1 of the Constitution requires that at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third must retire from office. Clause 12.13 of the Constitution provides that a Director retiring at an annual general meeting who is not disqualified by law from being reappointed is eligible for re-election. Accordingly, Ms Pauline Carr retires as a Director and, being eligible, offers herself for re-election.

A resume for Ms Carr follows:

Ms Pauline Carr

Non-Executive Director, BEcon, MBA, FAICD, FCIS, FGIA

Ms Carr has over 25 years' commercial experience in management, corporate governance and compliance, mergers and acquisitions, investor and stakeholder relations and corporate restructures. She currently provides business improvement, compliance, risk management, project management and corporate governance solutions to executive management teams internationally. Prior to this, Ms Carr held senior positions with Newmont Asia Pacific and ASX listed Normandy Mining Limited and worked for a number of years in the oil and gas sector with Exxon Mobil. She sits on several Boards and is Deputy Chairman of the South Australian Minerals and Energy Advisory Council and the Minerals and Petroleum Expert Group. In the three years immediately before the end of the financial year, Ms Carr held no other directorships of any listed companies.

Ms Carr is an independent non-executive Director of the Board, and chairs the Board's Audit, Business Risk and Compliance Committee and its Remuneration and Nomination Committee.

Ms Carr does not have any interests, positions, associations or relationships that may or may be perceived to influence her independent judgement.

Resolution 3 is an ordinary resolution.

The Directors (other than Ms Carr) recommend that shareholders vote in favour of Resolution 3.

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

4. **RESOLUTION 4: APPROVAL OF AMENDED EMPLOYEE LONG TERM INCENTIVE PLAN**

By ordinary resolution passed at the Annual General Meeting of the Company held on 18 November 2016, the Company approved the issue of securities pursuant to a new long term incentive plan, known as the Highfield Resources Limited Employee Long Term Incentive Plan (**Original Plan**) under which employees, officers and Directors may be offered the opportunity to receive options, performance rights or deferred share awards (**Awards**) in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees, officers and Directors.

The Original Plan was designed to provide incentives to the employees, officers and Directors of the Company and to recognise their contribution to the Company's success. By inadvertent omission, consultants were not included in the class of eligible persons for the purposes of the Original Plan. The Board has now resolved to adopt an amended Plan (a copy of which is contained in Annexure A to this Explanatory Memorandum) (**Plan**) which includes consultants within the class of eligible persons but in all other respects reflects the terms and conditions of the Original Plan.

In particular, the Original Plan included within its scope full-time or permanent part-time employees, or officers or directors of the Company (or a related body corporate). The new Plan will reflect the definition of 'eligible participants' within ASIC Class Order (CO 14/1000) which includes existing and prospective full-time or part-time employees (including an executive director), a non-executive director as well as casual employees and certain contractors (both of whom are at least 40% full-time equivalent) and certain of the Company (or a related body corporate).

Under the Company's current circumstances the Directors consider that Awards are a cost effective and efficient means of incentivising employees, officers, Directors and consultants. To enable the Company to secure employees, officers, Directors and consultants who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such persons. The Plan is designed to achieve this objective by encouraging continued improvement in performance over time and by encouraging those persons to acquire and retain significant shareholdings in the Company.

Under the Plan, the Board may offer to eligible persons the opportunity to receive such number of Awards in the Company as the Board may decide and on terms set out in the rules of the Plan. Awards granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

Listing Rule 7.1 restricts the number of equity securities a listed entity can issue in any 12 month period without shareholder approval. Listing Rule 7.2 contains a number of exceptions to Listing Rule 7.1. In particular, Exception 9(b) of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within three years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

Shareholders have not previously approved the issue of securities under the Plan for the purposes of Exception 9(b) of Listing Rule 7.2. The purpose of Resolution 4 is to seek approval of the issue of securities under the Plan for the purposes of Exception 9(b) of Listing Rule 7.2 and for all other purposes.

In accordance with the requirements of Exception 9(b) of Listing Rule 7.2 the following information is provided:

- (a) a copy of the rules of the Plan is contained in Annexure A to this Explanatory Memorandum;
- (b) shareholders have not previously approved the issue of securities under the Plan for the purposes of Exception 9(b) of Listing Rule 7.2, and no Awards have been issued under the Plan; and
- (c) a voting exclusion statement has been included for the purpose of Resolution 4.

Resolution 4 is an ordinary resolution.

As the Directors are excluded from voting on this resolution they do not wish to make a recommendation as to how shareholders ought to vote in respect of the resolution.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 4 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 4 by marking the appropriate box on the proxy form.

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

5. **RESOLUTION 5: ISSUE OF OPTIONS TO GROUP MANAGING DIRECTOR – MR PETER ALBERT**

5.1 **General**

The Company has agreed, subject to obtaining shareholder approval, to issue Options to its Group Managing Director as part of his incentive based remuneration package. Resolution 5 seeks shareholder approval for the issue of 1,820,654 Options, each to acquire one ordinary share in the Company, under the Highfield Resources Limited Employee Long Term Incentive Plan (**Plan**) to the Group Managing Director Mr Peter Albert (**Options**) for the shortened financial year being the period 1 July 2017 through to 31 December 2017.

Each Option will vest as one Share subject to the satisfaction of certain performance criteria (Vesting Conditions). Unless the Board determines otherwise, in the event that the Vesting Conditions are not met, the Options will not vest and, as a result, no new Shares will be issued.

In order for the Options to vest as Shares, the following Vesting Conditions are assessed:

(a) **Market Based Performance**

Half (50%) of Mr Albert's options (known as the Market Performance Options) will be assessed for vesting based upon the Company's relative share price performance versus the S&P/ASX 300 Resources Index (XKR) in accordance with a defined scale.

(b) **Total Shareholder Return**

The other half (50%) Mr Albert's Options (known as the TSR Options) will be assessed for the vesting based upon the Company's total Shareholder return (TSR).

Details of the Vesting Conditions attaching to the Performance Rights are contained in Appendix B.

Once vested, Options will be exercisable at \$[1.34] per share. All of the Options will have an five year exercise period commencing after the vesting assessment date, being no earlier than 30 June 2020 and expiring on the fifth anniversary of that date.

Full details of the (the terms and conditions of the Options are set out in Annexure B.

Mr Albert was appointed to the Board effective 1 September 2016 as the Group's Managing Director. As part of his incentive based remuneration package, the Board has determined that, subject to shareholder approval, Mr Albert be issued 1,820,654 unlisted Options in the Company pursuant to the terms of the Plan.

The Options will be granted as a key component of Mr Albert's remuneration in order to retain his services and provide incentive linked to the performance of the Company.

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

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

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

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

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

The grant of Options to Mr Albert constitutes giving a financial benefit and Mr Albert is a related party of the Company by virtue of being a current Director.

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

5.3 **Listing Rule 10.14**

Listing Rule 10.14 requires shareholder approval for the acquisition of securities by a director (or an associate of a director) of the entity (or a person whose relationship with the entity or the director or associate, is in ASX's opinion, such that approval should be obtained) under an employee incentive scheme.

The approval sought is to grant Mr Albert 1,820,654 Options under the Plan. Options are relevant securities for the purposes of Listing Rule 10.14.

As the grant of the Options involves the acquisition by a director of the Company of securities under an employee incentive scheme, shareholder approval pursuant to Listing Rule 10.14 is required. It is the view of the Directors that the exceptions set out in Listing Rule 10.15B do not apply in the current circumstances.

Approval pursuant to Listing Rule 7.1 is not required for the grant of the Options as approval is being obtained under Listing Rule 10.14. Accordingly, the grant of Options will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

5.4 **Technical Information required by Listing Rule 10.15**

For the purposes of Listing Rule 10.15 information regarding the proposed Options grant is provided in relation to Resolution 5 as follows:

- Subject to shareholder approval, it is proposed that Group Managing Director, Mr Albert will be issued [1,820,653 Options to acquire ordinary shares in the Company, pursuant to the Plan. It is considered appropriate to grant the Options to Mr Albert as a key component of his remuneration in order to retain his services and provide incentive linked to the performance of the Company.
- The Options will be issued for nil cash consideration.
- No funds will be raised by the grant of the Options as they are being granted for no consideration. Each Option proposed to be granted entitles Mr Albert to subscribe for one ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company. The terms and conditions of the Options are set out in Annexure B.
- No Directors have previously received Options under the Plan.
- The persons referred to in Listing Rule 10.14 entitled to participate in the Plan are the current Directors of the Company (Messrs Derek Carter, Peter Albert, Richard Crookes, Owen Hegarty, Jim Dietz and Ms Pauline Carr) however at this time it is intended only that Mr Albert will receive Options pursuant to the Plan, subject to Shareholder approval.
- A voting exclusion statement has been included for the purposes of Resolution 5.
- No loan will be provided by the Company in relation to the grant or exercise of the Options proposed to be provided to Mr Albert.
- If Shareholder approval is obtained, the Options will be granted to Mr Albert as soon as practicable after the Meeting, but in any event, within 12 months of the Meeting.

Resolution 5 is an ordinary resolution.

The Directors (other than Mr Albert) do not have an interest in the outcome of Resolution 5 and recommend that shareholders vote in favour of Resolution 5.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 5 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 5 by marking the appropriate box on the proxy form.

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

RESOLUTION 6: ISSUE OF OPTIONS TO CONSULTANT – MR ISAAC QUERUB

Mr Isaac Querub is an advisor to the Company's Board and provides expert advice on specific matters as requested by the executive team or the Board. In recognition of past and future contributions, the Company is seeking approval to issue 1,000,000 Options to Mr Querub (and/or his nominee) for no monetary consideration. All of the Options (subject to vesting) will be exercisable at \$1.85 per share. All of the Options are subject to a vesting assessment period commencing 1 July 2016 and concluding on 30 June 2019 and certain vesting criteria (the vesting conditions and other terms and conditions of the Options are set out in Annexure C). Vested Options will have an exercise period expiring on 30 June 2024.

Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. However, an issue made with the approval of holders of ordinary securities will not count towards this limit.

Resolution 6 seeks approval by shareholders for the issue of 1,000,000 Options to Mr Querub (and/or his nominee) for the purposes of Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of Listing Rule 7.3:

- The Company will issue a maximum of 1,000,000 Options.
- The Options will be issued no later than three months after the date of this Meeting or such later date permitted by ASX.
- The Options will not be issued for cash consideration.
- The Options will be issued to Mr Querub (and/or his nominee).
- The terms and conditions of the Options (including vesting conditions) are as outlined above, and otherwise as set out in Annexure C.
- No funds will be raised from the issue of the Options.

Resolution 6 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 6.

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

6. RESOLUTION 7: ISSUE OF OPTIONS TO CONSULTANT – MR SIXTO JIMENEZ

Mr Sixto Jimenez is an advisor to the Company's Board and provides expert advice on specific matters as requested by the executive team or the Board. In recognition of past and future contributions, the Company is seeking approval to issue 500,000 Options to Mr Jimenez (and/or his nominee) for no monetary consideration. All of the Options (subject to vesting) will be exercisable at \$1.85 per share. All of the Options are subject to a vesting assessment period commencing 1 July 2016 and concluding on 30 June 2019 and certain vesting criteria (the vesting conditions and other terms and conditions of the Options are set out in Annexure C). Vested Options will have an exercise period expiring on 30 June 2024.

Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. However, an issue made with the approval of holders of ordinary securities will not count towards this limit.

Resolution 7 seeks approval by shareholders for the issue of 500,000 Options to Mr Jimenez (and/or his nominee) for the purposes of Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of Listing Rule 7.3:

- The Company will issue a maximum of 500,000 Options.
- The Options will be issued no later than three months after the date of this Meeting or such later date permitted by ASX.
- The Options will not be issued for cash consideration.
- The Options will be issued to Mr Jimenez (and/or his nominee).
- The terms and conditions of the Options (including vesting conditions) are as outlined above, and otherwise as set out in Annexure C.
- No funds will be raised from the issue of the Options.

Resolution 7 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 7.

The chair intends to vote undirected proxies in favour of Resolution 7.

7. GLOSSARY

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

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691;

Board means the board of directors of the Company;

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

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (e) a company the member controls; or
- (f) a person prescribed as such by the *Corporations Regulations 2001* (Cth);

Company means Highfield Resources Limited ACN 153 918 257;

Constitution means the existing constitution of the Company;

Corporations Act means *Corporations Act 2001* (Cth);

Director means a director of the Company;

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

Listing Rules means the listing rules of ASX;

Meeting means the meeting of shareholders convened by the Notice;

Notice means the notice of meeting to which this Explanatory Memorandum is attached;

Option means an option to acquire a fully paid ordinary share in the capital of the Company; and

Plan means the Highfield Resources Limited Employee Long Term Incentive Plan (as varied).

ANNEXURE A

HIGHFIELD RESOURCES LIMITED EMPLOYEE LONG TERM INCENTIVE PLAN



Employee Long Term Incentive Plan Rules

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Employee Long Term Incentive Plan

1 Introduction

Purpose of plan

- 1.1 The Company has established this Plan to encourage Employees to share in the ownership of the Company and to promote the long-term success of the Company as a goal shared by all Employees.

Advice

- 1.2 There are legal and tax consequences associated with participation in the Plan. Employees should ensure that they understand these consequences before accepting an invitation to participate in the Plan.
- 1.3 Any advice given by or on behalf of the Company is general advice only, and Employees should consider obtaining their own financial product advice from an independent person who is licensed by ASIC to give such advice.

2 Definitions and Interpretation

Definitions

- 2.1 In these Rules unless the contrary intention appears, terms defined in the Corporations Act or Listing Rules have the same meaning in these Rules, and:

Application means a written acceptance of an Offer for, or an application for, Awards in a form approved by or acceptable to the Board.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the securities market which it operates, as the context requires.

Award means:

- (a) an Option,
- (b) a Performance Right,
- (c) a Deferred Share Award,
- (d) as applicable.

Board means the Board of Directors of the Company.

Company means Highfield Resources Limited (ABN 51 153 918 257).

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

Deferred Share Award means a Share issued under clause 3.4.

Employee means a person or entity within the meaning of "eligible participant" as defined in ASIC Class Order [Co 14/1000] as varied from time to time of the Company or of any related body corporate of the Company.

exercise means exercise of an Award in accordance with its terms, and includes automatic exercise in accordance with these Rules.

Exercise Price means the price payable (if any) per Share to exercise an Award.

Expiry Date means the date on which an Award lapses, being the date specified in an Offer as the Expiry Date, or fixed by a method of calculation set out in an Offer.

issue of a Share includes the transfer of an existing Share in accordance with clause 7.3.

Issue Price means the price (if any) to be paid for the issue of a Share as stated in the Offer.

Liability means any liability, whether actual or contingent, present or future, quantified or unquantified.

Listed means the Company being and remaining admitted to the official list of the ASX.

Listing Rules means the Listing Rules of ASX and any other rules of the ASX which are applicable while the Company is Listed each as amended or replaced from time to time, except to the extent of any waiver granted by the ASX.

Market Price means the weighted average sale price of Shares on the ASX over the five trading days immediately preceding the day the Offer is made, or another pricing method determined by the Company.

Offer means an offer or issue of Awards made to an Employee under clause 4. Where Awards are issued without the need for acceptance, an Offer includes the document setting out the terms of the Award.

Option means an option to acquire Shares issued under clause 3.2.

Participant means an Employee to whom Awards are issued.

Performance Right means a right to acquire a Share issued under clause 3.3.

Plan means this Employee Incentive Plan.

Restricted Award means an Award or a Share issued on exercise of an Award in respect of which a restriction on sale or disposal applies under this Plan.

Restriction Period means the period during which Awards, or Shares issued on exercise of Awards, must not be sold or disposed of, being the period specified in these Rules in respect of Deferred Share Awards and as specified in the Offer in respect of other Awards.

Rules means these rules as amended from time to time.

Security Interest means a right, interest, power or arrangement in relation to any property which provides security for, or protects against default by a person in, the payment or satisfaction of a debt, obligation or Liability, including a mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance or hypothecation and a security interest as defined in sections 12(1) and 12(2) of the *Personal Property Securities Act 2009* (Cth).

Share means a fully paid ordinary share of the Company.

Tax Act means the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, or any legislation amending or replacing the provisions of those Acts relating to the issue and exercise of Awards.

Vesting Conditions means any conditions described in the Offer that must be satisfied before an Award can be exercised or before an Award (or Share issued under an Award) is no longer subject to forfeiture.

Vesting Date means the date on which an Award is exercisable or is no longer subject to forfeiture following satisfaction of any Vesting Conditions.

Interpretation

2.2 In these Rules, unless expressed to the contrary:

- (a) terms defined in the Corporations Act have the same meaning in these Rules;
- (b) words importing:
 - (i) the singular include the plural and vice versa;
 - (ii) any gender includes the other genders;
- (c) if a word or phrase is defined cognate words and phrases have corresponding definitions;
- (d) a reference to:
 - (i) a person includes a firm, unincorporated association, corporation and a government or statutory body or authority;
 - (ii) a person includes its legal personal representatives, successors and assigns;
 - (iii) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - (iv) a right includes a benefit, remedy, discretion, authority or power;
 - (v) "\$" or "dollars" is a reference to the lawful currency of Australia;
 - (vi) this or any other document includes the document as varied or replaced and notwithstanding any change in the identity of the parties; and
 - (vii) any thing (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.

Headings

2.3 Headings are for convenience only and do not affect the interpretation of these Rules.

Tax treatment of Plan

2.4 This Plan is a plan to which Subdivision 83A-C of the Tax Act applies (subject to the conditions in that Act).

3 Awards that may be made under the Plan

3.1 The Company may, at the discretion of the Board, offer and issue Awards to Employees of the kind set out in this clause 3.

Options

3.2 The Company may offer or issue Options, which are rights to be issued a Share upon payment of the Exercise Price and satisfaction of specified Vesting Conditions. These terms apply unless the Offer specifies otherwise:

- (a) Options are Restricted Awards until they are exercised or expire.
- (b) An Offer may specify a Restriction Period for Shares issued on the exercise of Options.
- (c) Options are subject to adjustment under clause 11.

Performance Rights

3.3 The Company may offer or issue Performance Rights, which are rights to be issued a Share for nil Exercise Price upon the satisfaction of specified Vesting Conditions. These terms apply unless the Offer specifies otherwise:

- (a) Performance Rights are Restricted Awards until they are exercised or expire.
- (b) An Offer may specify a Restriction Period for Shares issued on the exercise of Performance Rights.
- (c) Performance Rights are subject to adjustment under clause 11.

Deferred Share Awards

3.4 The Company may offer or issue Deferred Share Awards, which are Shares issued to Employees:

- (a) who elect to receive Shares in lieu of any wages, salary, director's fees, or other remuneration; or
- (b) by the Company in its discretion, in addition to their wages, salary and remuneration, or in lieu of any discretionary cash bonus or other incentive payment.

3.5 Unless a different Restriction Period is specified in an Offer, the Restriction Period for Deferred Share Awards will expire on the earlier of:

- (a) when a Participant ceases to be an Employee;
- (b) when the Board, in its discretion, agrees to end the Restriction Period; and
- (c) 10 years from the date of issue of the Shares.

4 Offers of Awards

4.1 Subject to clause 5, the Company may make an Offer to any Employee.

Form of Offer

4.2 Each Offer must be in writing (which includes email), include an Application if acceptance is required, and specify the following to the extent applicable:

- (a) the name and address of the Employee to whom the Offer is made;
- (b) the type of Awards being offered;
- (c) the number of Awards being offered;
- (d) any Vesting Conditions for the Awards;
- (e) the Issue Price and/or Exercise Price for the Awards, or the manner in which the Issue Price and/or Exercise Price is to be determined;
- (f) the Expiry Date (if any);

- (g) any Restriction Period;
 - (h) any other terms or conditions that the Board decides to include; and
 - (i) any other matters required to be specified in the Offer by either the Corporations Act or the Listing Rules.
- 4.3 If required by applicable laws or the conditions to applicable ASIC relief, the Offer must include an undertaking by the Company to provide to a Participant, if a request is made before the Award is Exercised and within a reasonable period of being so requested, the current market price of the Shares.

Compliance with laws

- 4.4 No Offer will be made to the extent that any such Offer would contravene the Company's Constitution, the Listing Rules, the Corporations Act or any other applicable law.

Acceptance

- 4.5 If acceptance of an Offer is required, it may be accepted:
- (a) by an Employee completing and returning the Application, as required by the Offer, by not later than the date specified in the Offer; and
 - (b) if required, by the Employee making or directing payment of the total amount payable for the Awards (if any) accepted under the Offer, in the manner specified in the Offer.
- 4.6 An Offer which requires acceptance lapses if it is not accepted by the Employee to whom the Offer is made as required under clause 4.5.

5 Dilution limit

- 5.1 An Offer of Awards must not be made if the total of the following:
- (a) the number of Shares which are the subject of the Offer of Awards;
 - (b) the total number of Shares which are the subject of any outstanding Offers of Awards;
 - (c) the total number of Shares issued during the previous three years under this Plan or any other employee share scheme extended only to Employees of the Company (adjusted if necessary in each case for capital reorganisations), but not including existing Shares transferred to a Participant after having been acquired for that purpose; and
 - (d) the total number of Shares which would be issued under all outstanding Awards that have been granted but which have not yet been exercised, terminated or expired, assuming all such Awards were exercised and ignoring any Vesting Conditions,

but disregarding any Offer made, or Award offered or issued, or Share issued by way of or as a result of:

- (a) an offer to a person situated outside Australia at the time of receipt of the offer;
- (b) an offer that was an excluded offer or invitation as defined in the Corporations Law as in force before the commencement of Schedule 1 to the Corporate Law Economic Reform Program Act 1999;
- (c) an offer that did not need disclosure to investors because of section 708 of the Corporations Act;
- (d) an offer that did not require the giving of a Product Disclosure Statement because of section 1012D of the Corporations Act; or
- (e) of offer made under a disclosure document or Product Disclosure Statement as defined in the Corporations Act,

would exceed 5% of the number of Shares on issue at the time of the Offer.

6 Vesting and Exercise of Awards

Vesting

- 6.1 The Awards held by a Participant will vest in and become exercisable by that Participant upon the satisfaction of any Vesting Conditions specified in the Offer and in accordance with these Rules.
- 6.2 Vesting Conditions may be waived at the absolute discretion of the Board (unless such waiver is excluded by the terms of the Award).

Automatic Exercise

- 6.3 Unless clause 6.4 applies, the vesting of an Award on the satisfaction of any Vesting Conditions will not automatically trigger the exercise of the Award.
- 6.4 The terms of an Award which has a nil Exercise Price may provide for the Award to be exercised automatically upon vesting. Further, and whether or not the terms of the Award provide for it, the Board may in its discretion waive any requirement that an issued Award which has a nil Exercise Price be exercised by the Participant. In either case the Company will treat the Award as having been validly exercised on the Vesting Date.

Exercise of Awards

- 6.5 A Participant is, subject to this clause 6, entitled to exercise an Award on or after the Vesting Date. Any exercise must be for a minimum number or multiple of Shares (if any) specified in the terms of the Offer.
- 6.6 Awards may be exercised by the Participant delivering to the Company a notice stating the number of Awards to be exercised together with the Issue Price (if any) for the Shares to be issued.

7 Allotment of Shares on exercise or vesting of Awards

Rights attaching to Shares

- 7.1 The Shares issued under this Plan will upon allotment:
- (a) be credited as fully paid;
 - (b) rank equally for dividends and other entitlements where the record date is on or after the date of allotment, but will carry no right to receive any dividend or entitlement where the record date is before the date of allotment; and
 - (c) be subject to any restrictions imposed under these Rules, and
 - (d) otherwise rank equally with the existing issued Shares at the time of allotment.

Quotation

- 7.2 If the Company is Listed, then as soon as practicable after the date of the allotment of Shares, the Company will, unless the Board otherwise resolves, apply for official quotation of such Shares on the ASX.

New or existing Shares

- 7.3 The Company may, in its discretion, either issue new Shares or cause existing Shares to be acquired for transfer to the Participant, or a combination of both alternatives, to satisfy the Company's obligations under these Rules.
- 7.4 If the Company determines to cause the transfer of Shares to a Participant, the Shares may be acquired in such manner as the Company considers appropriate, including from a trustee appointed under clause 7.5.

Trustee

- 7.5 The Company may appoint a trustee on terms and conditions which it considers appropriate to acquire and hold Shares, options, or other securities of the Company either on behalf of Participants or for the purposes of this Plan.

8 Share buy-back or transfer

When Shares are bought back or transferred

- 8.1 Shares held by a Participant will be bought back and cancelled if the relevant Vesting Conditions have not been satisfied by the last date for their satisfaction (if applicable) or have otherwise failed to be satisfied.

Buy back price

- 8.2 The Board may determine any amount that the Company should pay to the Participant in respect of a buy back.

How Shares are bought back

- 8.3 A Participant and the Company must do whatever is necessary or desirable to effect a buy-back or transfer of Shares when required under clause 8. Each Participant irrevocably appoints the Company and each of its Directors and secretaries from time to time severally as its attorney to sign any document necessary or desirable, and carry out any act, on that Participant's behalf for the purposes of this clause 8.
- 8.4 If it is impractical to buy back Shares to which this clause 8 applies, or if the Board in its discretion otherwise determines, the Company may instead of buying back the relevant Shares direct that they be transferred to a person nominated by the Company.

9 Restricted Awards

Restrictions

- 9.1 A Participant must not sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Restricted Awards, or agree to do any of those things, during the Restriction Period.
- 9.2 The Company may implement any procedures it considers appropriate to ensure that Restricted Awards are not disposed of during the Restriction Period, including applying a holding lock in respect of Shares.
- 9.3 Without limiting its discretions under these Rules, the Board may at any time in its discretion waive or shorten the Restriction Period applicable to an Award.

Bonus issues

- 9.4 If the Company makes a pro rata bonus issue to holders of Restricted Awards, the Shares issued to Participants under the pro rata bonus issue will be subject to the balance of the Restriction Period that applied to the Restricted Awards.

Takeovers etc

- 9.5 If a takeover bid is made to acquire all of the issued Shares of the Company, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid for Shares in the Company, then Participants are entitled to accept the takeover bid or participate in the other transaction in respect of all or part of their Awards notwithstanding that the Restriction Period in respect of such Awards has not expired. The Board may, in its discretion, waive unsatisfied Vesting Conditions in relation to some or all Awards in the event of a such a takeover or other transaction.

Personal representatives

- 9.6 If a Participant dies before the end of the Restriction Period, then the legal personal representative of that deceased Participant will have the same rights and benefits and be subject to the same obligations in respect of those Shares as the deceased Participant would have had or been subject to had they survived until the end of the Restriction Period.

10 Hedging unvested Awards

- 10.1 Participants must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested Awards as restricted in the Company's securities trading policy.

11 Adjustments

- 11.1 This clause 11 applies to Options, Performance Rights, and other Awards where the Participant may be entitled to acquire Shares in the future on exercise of the Award.

New issues of shares

- 11.2 A Participant is not entitled to participate in a new issue of Shares or other securities made by the Company to holders of its Shares without exercising the Awards before the record date for the relevant issue.

Bonus issues

- 11.3 If, prior to the exercise of an Award, the Company makes a pro-rata bonus issue to the holders of its Shares, and the Award is not exercised prior to the record date in respect of that bonus issue, the Award will, when exercised, entitle the holder to one Share plus the number of bonus shares which would have been issued to the holder if the Award had been exercised prior to the record date.

Other reorganisations of capital

- 11.4 If, prior to the exercise of an Award, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash) the terms of the Awards of the Participant will be changed to the extent necessary to comply with the Listing Rules as they apply at the relevant time.

General

- 11.5 Unless otherwise permitted by the Listing Rules, the number of Shares which the Participant is entitled to receive on exercise of an Award will only be adjusted in accordance with this clause 11.
- 11.6 The Company must give notice to Participants of any adjustment to the number of Shares which the Participant is entitled to receive on exercise of an Award in accordance with the Listing Rules.

12 Power of attorney

- 12.1 In consideration of the issue of the Awards, each Participant irrevocably appoints each director and the secretary for the time being of the Company severally as his or her attorney, to do all acts and things and to complete and execute any documents, including share transfers, in his or her name and on his or her behalf that may be convenient or necessary for the purpose of giving effect to the provisions of these Rules or the terms of an Award.
- 12.2 The Participant (or after his or her death, his or her legal personal representative) will be deemed to ratify and confirm any act or thing done under this power and must indemnify the attorney in respect of doing so.

13 Powers of the Board

- 13.1 The Plan will be administered by the Board, or a committee of the Board, which will have an absolute discretion to:
- (a) determine appropriate procedures for administration of the Plan consistent with these Rules;
 - (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Rules;
 - (c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of any of their powers or discretions under the Plan or these Rules;
 - (d) formulate special terms and conditions (subject to the Listing Rules), in addition to those set out in these Rules to apply to Participants employed and/or resident in and/or who are citizens of countries other than Australia. Each of these special terms and conditions will be restricted in their application to those Participants employed and/or resident in and/or who are citizens of other jurisdictions; and
 - (e) amend these Rules, provided that such amendments do not materially prejudice the rights of existing Participants.
- 13.2 While the Company is Listed, the Board may only exercise its powers in accordance with the Listing Rules.

14 Commencement, suspension, termination and amendment of Plan

- 14.1 Subject to the passing of any necessary resolution approving the establishment of the Plan and the issue of the Awards, the Plan will take effect when the Board decides.
- 14.2 The Plan may be suspended, terminated or amended at any time by the Board, subject to any resolution of the Company required by the Listing Rules.

15 General provisions

Participants bound

- 15.1 Participants issued Awards under this Plan are bound by these Rules and by the Constitution of the Company.

Notices

- 15.2 Any notice required to be given by the Company to a Participant or any correspondence to be made between the Company and a Participant may be given or made by the Board or its delegate on behalf of the Company.
- 15.3 Any notice to be given by the Company may be given by email, and any reference to the Company giving or providing information or documents in writing includes doing so by email.

Effect on employee entitlements

- 15.4 Participation in the Plan does not affect an Employee's terms of employment or appointment with the Company. In particular, participation in the Plan does not detract from any right the Company may have to terminate the employment or appointment of an Employee.
- 15.5 Participation in the Plan, or the issuing of any Awards, does not form part of the Employee's remuneration for the purposes of determining payments in lieu of notice of termination of employment, severance payments, leave entitlements, or any other compensation payable to an Employee upon the termination of employment.

Governing law

- 15.6 These Rules are governed by and are to be construed in accordance with the laws of South Australia, Australia.

ANNEXURE B

OPTIONS TO GROUP MANAGING DIRECTOR UNDER TERMS OF THE HIGHFIELD RESOURCES LIMITED EMPLOYEE LONG TERM INCENTIVE PLAN

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 2017, 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 2020, 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 2017) and again at the end of the vesting period (closing index price on 30 June 2020); 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 \$1.34 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.

ANNEXURE C

(TERMS AND CONDITIONS OF CONSULTANT OPTIONS)

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 2016, 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, 2019 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 2016) and again at the end of the vesting period (closing index price on 30 June 2019); 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.

LODGE YOUR VOTE ONLINE



ONLINE VOTE

www.advancedshare.com.au/investor-login



MOBILE DEVICE VOTE

Lodge your proxy by scanning the QR code below, and enter your registered postcode. It is a fast, convenient and a secure way to lodge your vote.

ANNUAL GENERAL MEETING - VOTING/PROXY FORM

I/We being shareholder(s) of Highfield Resources Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chairman of the meeting

OR



PLEASE NOTE: If you leave the section blank, the Chairman of the Meeting will be your proxy.

STEP 1

If no individual(s) or body corporate(s) is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held at **Mayfair Hotel, 45 King William Street, Adelaide SA 5000 on 30 November 2017 at 11.00am (Adelaide Time)** and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 1 (except where I/we have indicated a different voting intention below) even though this Item is connected directly or indirectly with the remuneration of a member(s) of key management personnel, which includes the Chairman. The Chairman of the Meeting intends to vote all undirected proxies available to them in favour of each Item of Business.

VOTING DIRECTIONS

Agenda Items

		For	Against	Abstain*			For	Against	Abstain*
1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5	Issue of Options to Group Managing Director – Mr Peter Albert	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Re-election of Mr Owen Hegarty as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6	Issue of Options to Consultant – Mr Isaac Querub	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Re-election of Ms Pauline Carr as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7	Issue of Options to Consultant- Mr Sixto Jimenez	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Approval of Amended Employee Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					



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

STEP 2

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

STEP 3

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

Your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman will be your proxy.

DEFAULT TO THE CHAIRMAN OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not vote on a poll in accordance with your directions or does not attend the Meeting, then the proxy appointment will automatically default to the Chairman of the Meeting, who is required to vote the proxies as directed.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are able. If you mark more than one box on an item, your vote on that item will be invalid.

PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chairman) or other member of the Company's key management personnel, or their closely related parties, as your proxy, you must specify how they should vote on Item 1, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Item 1.

PLEASE NOTE: If you appoint the Chairman as your proxy (or if they are appointed by default) but do not direct them how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), you will be expressly authorising the Chairman to vote as they see fit on that item.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- Return both forms together.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 11.00 am (Adelaide time) on 28 November 2017, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



ONLINE VOTE

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 9262 3723



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033