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**Highfield**   
Resources

# Half Year Financial Report

## 30 June 2024

[highfieldresources.com.au](http://highfieldresources.com.au)

ABN 51 153 918 257

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## CORPORATE DIRECTORY

### Current Directors

Mr Paul Harris (Independent Non-Executive Chairman)  
 Mr Ignacio Salazar (CEO and Managing Director)  
 Ms Pauline Carr (Independent Non-Executive Director)  
 Mr Roger Davey (Independent Non-Executive Director)  
 Mr Luke Anderson (Non-Executive Director)

### Company Secretary

Ms Katelyn Adams

### Registered Office

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 DULWICH, SA 5065

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Facsimile: +61 8 8431 3502

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### Share Registry

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 Level 5, 126 Phillip Street  
 SYDNEY, NSW 2000

Website: [automicgroup.com.au](http://automicgroup.com.au)

### Auditor

PricewaterhouseCoopers  
 Level 11/70 Franklin St  
 ADELAIDE, SA 5000

Telephone: +61 8 8218 7000

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### Stock Exchange

Australian Securities Exchange  
 (Home Exchange: Perth, Western Australia)

ASX Code: HFR

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## Directors' Report

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The Directors present their report for Highfield Resources Limited (“Highfield”, or “the Company”) and its subsidiaries Geocalci S.L.U. (“Geocalci”) and KCL Resources Limited (together “the Group”) for the financial half year ended 30 June 2024. In order to comply with the provisions of the Corporations Act 2001, the Directors’ report is as follows:

### DIRECTORS

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

Mr Paul Harris	Independent Non-Executive Chairman
Mr Ignacio Salazar	CEO and Managing Director
Ms Pauline Carr	Independent Non-Executive Director
Mr Roger Davey	Independent Non-Executive Director
Mr Luke Anderson	Non-Executive Director

### Results

The net loss for the half year ended 30 June 2024 was \$6.2m (30 June 2023: net loss of \$3.1m).

### REVIEW OF OPERATIONS

Highfield is a potash company listed on the Australian Securities Exchange (ASX) with three 100% owned potash projects located in Spain’s potash producing Ebro Basin. The principal activity of the Group during the half year period was to advance its flagship Muga-Vipasca Potash Project.

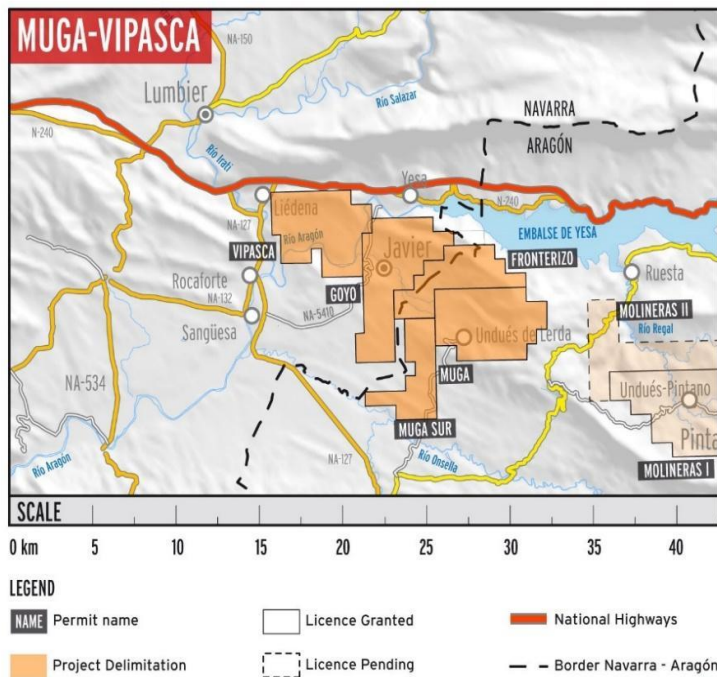
### MUGA-VIPASCA PROJECT

#### Overview

The Muga Project (“Muga” or “the Project”) is targeting the relatively shallow sylvinitic beds in the Muga Project area that covers about 40km<sup>2</sup> located in the Regions of Navarra and Aragón. The Muga Mine is planned to commence at a depth of approximately 350 metres from surface and is, therefore, ideal for a relatively low-cost conventional mine accessed via a dual decline.

The Vipasca area is located adjacent to the western border of the Muga Project and covers approximately 14km<sup>2</sup>. However, the geological data obtained in recent years has demonstrated that only the Eastern part of this area, which borders the Muga Project is currently economically viable. Given its geological characteristics it has always been considered as a natural continuation of the Muga deposit., therefore, the efforts of the Company have been focused on this sector, and as a result, the eastern part of the Vipasca permit was recategorized from an Exploration Target to a Mineral Resource and is considered an extension to the Muga Mining Concession.

During the first quarter of 2022, the Company requested the Government of Navarra to turn the Vipasca investigation permit into a mining concession. This was the first step in the process to incorporate the Vipasca area into the operations of the Company and run parallel with the construction of the Muga mine.



## Permitting Update

The Company obtained the necessary Construction Licence from the Undués de Lerda Townhall which allowed the Company to begin construction of the mine gates in Aragón. The Company also obtained the necessary construction licences from the Sangüesa Townhall in the second quarter of 2022 for the power line, and finally the construction licence for the process plant which was granted by Sangüesa Town Council on 29 March 2023 (see ASX release of 29 March 2023, "Construction Licence Granted for Muga Mine Process Plant"). With this licence, the Company now has all the necessary permits to start the full-scale construction of Muga, including the civil works, process plant and ramps.

To expedite the Sangüesa license award, the Company requested an amendment to the licence to exclude a small parcel of public land which required a more extended licencing process. This does not impact the construction of the Muga process plant and only slightly affects the southern ponds. The Company expects that this parcel of land will be included in the licence as construction starts.

During the first half of 2024, the Company worked closely with the Mine Departments of Navarra and Aragón and the Townhalls of Sangüesa and Undués de Lerda to maintain the good standing of the permits until full construction starts.

In line with the progress achieved with respect to permits, the Company worked on ensuring access to all land required for the construction of Muga. As the Project was declared of "public utility" by the mining concession in 2021, an expropriation process was initiated in September of the same year. In 2022, given the Project's value to the region, the Government of Navarra declared the urgent expropriation of the land owned by landowners with whom private purchasing agreements had not previously been signed. The expropriation process successfully finalised by the end of H1 2023 (refer ASX release 27 June 2023 "Highfield Resources Secures All Land for the Muga Project") and a €1.1m deposit towards the final purchase payment was made by the Company to most of the landowners. Payment of the outstanding price will be made once the financing process is completed.



### Technical Update

All the key processing plant equipment purchase contracts were signed with suppliers (refer ASX release 15 February 2022 "Remaining Purchase Contract Signed"), after which the Company focused on further optimization of the detailed engineering of the processing plant.

Following the due diligence process with the financing banks, the 2023 Updated Feasibility Study incorporated some minor updates in response to comments received from the lenders (refer ASX release 7 November 2023 "Updated Muga Feasibility Study"). Apart from that, the processing plant design and the mine plan remain the same as presented in the December 2021 Muga Feasibility Study Update.

### Construction Update

Preliminary construction works at the mine gate commenced at the end of the second quarter of 2022 and were finalised by December of the same year. Maintenance and minor works such as earthmoving and fencing, were carried out during the first half of 2023 and the Company is currently focused on completing the financing in order to commence full construction works.

In the meantime, the Company has undertaken a second round of tenders with suppliers to reconfirm the costs in the cost model, as well as assess the possibility of benefitting from any cost improvement.

The procurement strategy for the Muga-Vipasca Potash project is a simplified owner-managed project delivery model which contemplates the construction of underground mining infrastructure by a specialised mining contractor and the aboveground civil works and urbanisation by a general contractor. During the first half of 2024, the Company signed contracts with each of the contractors responsible for each of the two aforementioned packages.

The contract for the construction of the declines and underground mining infrastructure with the EPOS-TUNELAN joint venture was signed in March 2024 for a lump-sum value of €48 million and a construction period of 26 months (refer ASX release 12 March 2024 "Highfield signs contract for the construction of the declines at Muga Potash Project"), which is aligned with the estimated capital cost included in the 2023 Feasibility Study. This partnership benefits from EPOS' experience in multiple mining and underground construction projects throughout Europe and the Americas, and TUNELAN's local knowledge of Spanish construction regulations as well as its extensive experience with equipment similar to that which will be used in Muga.

Additionally, the Company signed the contract for the construction of the civil works and urbanisation (refer ASX release 30 April 2024 "Contract Signed for Construction of Civil Works at Muga") with Acciona, a leading Spanish constructor with significant experience in civil works, for a lump-sum value of €56.9 million and an agreed duration of 27 months, consistent with the estimated capital cost included in the 2023 Feasibility Study.

The Company is ready to begin construction once the financing process is completed.

### Sales and Marketing Update

Trade sanctions enforced by the European Union and the United States on Russia and Belarus added to the supply constraints experienced by the potash market since 2021, causing prices to hit all-time record-highs and which eventually led global demand to fall by more than 10Mt in 2022. As market constraints and affordability levels have been improving since the end of 2022, demand was more than halfway to full recovery by the end of 2023. However, the geopolitical situation has now settled into a new global trade map with the former soviet producers, especially Belarus, being excluded from many Western economies.

Additionally, the ongoing conflicts involving Russia and Ukraine in Eastern Europe as well as those between Israel and Palestine in the Middle East, continue to encourage buyers to find alternative sources of potash from more stable regions. This has spurred discussions with traders and other potential off takers and logistics partners with an interest on a strategic participation in the Project.

Despite market ups and downs, there is an upward trend for fertiliser demand backed up factors such as a growing population and decreasing arable land per person.

During 2023, the Company's marketing plan was updated to meet the newest developments introduced in the 2023 Feasibility Study. As the construction of the compacting and glazing unit is deferred to phase 2, the mine will produce standard grade muriate of potash ("SMOP") in phase 1 and add granular grade muriate of potash ("GMOP") to its product portfolio in phase 2. The new sales strategy's feasibility is based on the specific product each geographical region demands. With Europe consuming 60% GMOP and 40% SMOP this allows the Company to implement its logistics





arrangements on an incremental basis as well as benefitting from lower shipping costs. Other markets' demand is mainly for GMOP, with no significant deliveries of SMOP.

Regarding salt sales, Highfield signed a take-or-pay offtake agreement with Maxisalt during Q4 2023 for a minimum of 50,000 tonnes per annum with the option to sell up to 75,000 tonnes per annum of vacuum salt, which represents 20-30% of Muga's full phase 1 vacuum salt production (refer ASX release 1 November 2023 "Salt Offtake Agreement Signed with Maxisalt").

Further potash and salt offtake agreements may unfold as the financing process completes.

Highfield's transport and logistics strategy is an essential input to successfully develop and implement the sales and marketing plan. Highfield continues to engage with the three nearby ports with which it has previously signed MOUs – Pasajes and Bilbao (North of Spain) and Bayonne (South of France). The Company plans to conduct a tender process for its logistics once the project is fully financed.

### Financing Update

The Company has secured a big part of the funding necessities of Muga by way of the following agreements:

- Project Finance Facility signed with four major European banks acting as Mandated Lead Arrangers ("MLA"), (BNP Paribas S.A., ING Bank N.V., Natixis CIB and Societe Generale, London Branch) for €320.6 million and the subsequent widening of the MLAs with the inclusion of HSBC Continental Europe and Caja Rural de Navarra (refer ASX release 17 April 2023, "Additional Lenders join Senior Project Financing Group"); and the
- Equipment operating lease facility with a total value of €27 million, with a peak exposure not expected to exceed €25 million signed with Macquarie Capital Assets (refer ASX 12 May 2023, "Credit approval for up to €25 million Equipment Operating Lease Financing").

In addition to this, the Company secured a key strategic investment of approximately A\$25 million from EMR Capital and Tectonic and related parties under a convertible note deed in two tranches, dated 22 May 2023 (refer ASX release 23 May 2023, "Key Strategic Investment of A\$25m Secured") and December 2023 (refer ASX release 22 December 2023 "Highfield secures US\$6 million to advance Muga Potash Mine towards construction"). With this investment, EMR Capital and Tectonic demonstrated their continued support of Highfield and the Muga Project. This capital injection is assisting the Company in advancing the Project while discussions with strategic and financial investors are being progressed to fully finance the Project.

The Company is currently in negotiations with a group of Chinese investors to complete the funding of Muga. This deal will provide enough financial resources to complete the capital stack of the Company's flagship Project (US\$220 million). Highfield will be transformed into a globally diverse potash company with the concurrent conditional acquisition of the Southey project in Saskatchewan, Canada, which will increase the Group's expected combined production capacity to 3.8Mtpa. In this respect, new Highfield ordinary shares will be issued as consideration for the Canadian Southey project purchase and to the strategic Chinese cornerstone investors funding Muga.

### Updated Feasibility Study

The Company updated the Muga Project Updated Feasibility Study in the last quarter of 2023 (refer ASX release 7 November 2023 "Updated Muga Feasibility Study") which reflected a more refined approach to certain mining and processing technical aspects and was based on more advanced engineering. At the same time, a stronger level of confidence in the figures was sought by accounting for global cost inflation on raw materials and incorporating numbers from the contracts and firm offers which represent 93% of the updated capex estimate.

The updated Project economics underpinned the compelling economics of the Project with an NPV<sub>8</sub> of €1.82 billion and an IRR of 23% over a 30-year mine life. The updated capex for phase 1 is €449 million, and €286 million for phase 2. At full production, the EBITDA will be approximately €340 million per annum.



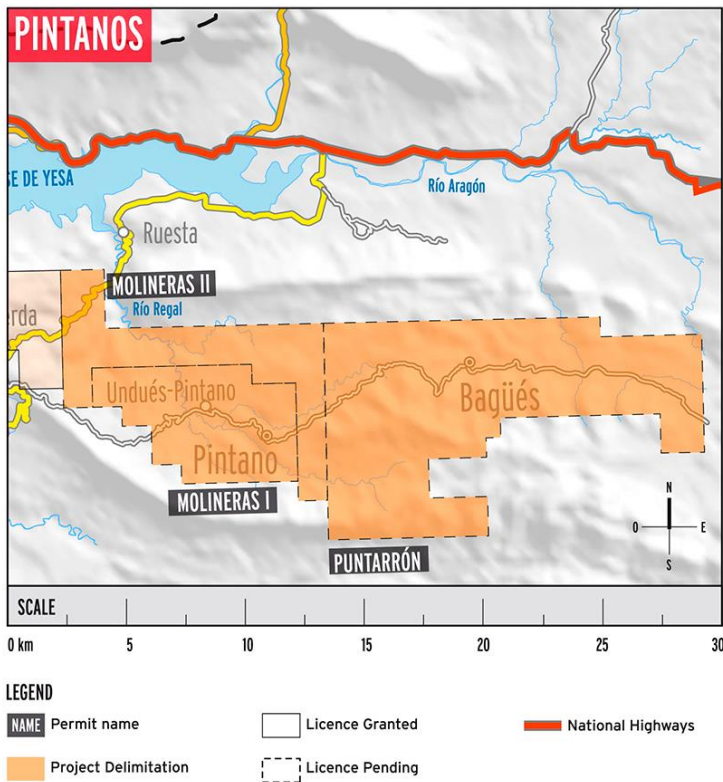
**PINTANOS**

The Pintanos tenement area, comprising the three permits of Molineras 1, Molineras 2 and Puntarrón covers an area of 65km<sup>2</sup>.

Geocalci was granted a three-year extension on the drilling permit at Molineras 1 in 2020. Shortly before its expiry in April 2023, the Company requested its second three-year extension, which was finally granted for an additional year on 4 January 2024. The Company continues to await the decision of the authorities regarding the drilling permit at Molineras 2 and Puntarrón where the application process was re-initiated in 2019.

As a result, no drilling activity has been carried out in this tenement during the half year ended 30 June 2024.

The current priority for the Company remains the development of the Muga Mine.

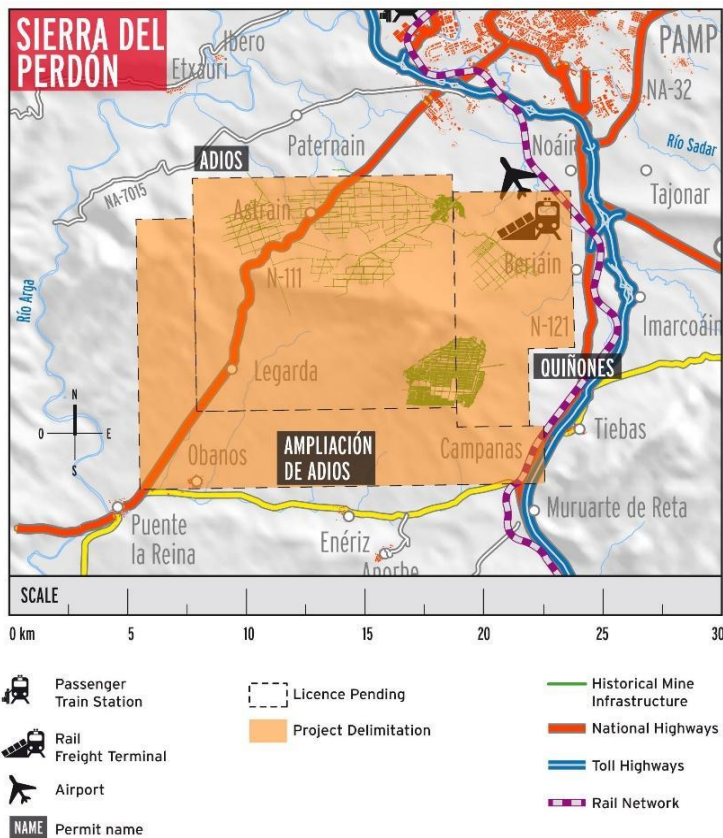


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SIERRA DEL PERDÓN

Sierra del Perdón tenement area ("SdP") is located southeast of Pamplona and compresses three permits, Quiñones, Adiós and Ampliación de Adiós with an approximate area of 120km². SdP is a brownfield target which previously hosted two potash mines operating from the 1960s until the late 1990s, producing nearly 500,000 tonnes of potash per annum. The Company believes that there is potential for potash exploitation in new, unmined areas in the SdP area.



The Company was advised in the fourth quarter of 2018 that the second three-year extension application for the Adiós and Quiñones permits had been rejected by the mining department of the Government of Navarra. The basis of the rejection of the Quiñones and Adiós extension application was that Geocalci had not performed sufficient drilling and geophysics exploration when compared with what it had committed to in the three-year work plans submitted to the authorities. The Company appealed this decision in 2019 and has so far not obtained a resolution.

Similarly, in the fourth quarter of 2020, the Company was advised that the second three-year extension application for the Ampliación de Adiós permit had been rejected by the mining department of the Government of Navarra. The Company appealed this decision in the last quarter of 2020, in line with the ongoing process of the other two SdP permits. Based on local Spanish legal advice, the continued lack of a resolution to the appeal is not seen as a reflection of the merits of the appeal, nor does it represent a significant change with an adverse effect on the entity.

The current priority for the Company remains the development of the Muga Mine.





### GEOALCALI FOUNDATION

The Geoalcali Foundation is a not-for-profit Spanish foundation, funded exclusively by the Company's wholly owned Spanish subsidiary, Geoalcali. The Foundation was established to support projects in communities that Geoalcali will operate. Since its establishment in September 2014 the Foundation has been involved in over 180 different community projects with townhalls, social associations, foundations and scientific/agricultural organisations. The activities of the Geoalcali Foundation are well known and appreciated by the local community, with a number of its activities having received awards and recognition as sustainable initiatives.

### SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 19 July 2024, the Company announced that it had entered into a non-binding letter of intent with Yankuang Energy Group Co., and a number of strategic investors that would entail the raising of US\$220 million of equity capital through a Cornerstone Placement of shares to complete the Muga finance. This deal is conditional on the Company acquiring from Yankuang the Southey potash project in Saskatchewan, Canada with issue of new Highfield ordinary shares as consideration (refer ASX Announcement 19 July 2024, "Transformative Transaction Proposed to Finance Muga and Create a New Globally Diversified Potash Company").

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditor to provide the Directors of the Company with an Independence Declaration in relation to the review of the half year financial report. A copy of that declaration is included on page 8 and forms part of this Directors' report for the half year ended 30 June 2024.

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

**Paul Harris**  
**Chairman**

9 September 2024



## Auditor's Independence Declaration

As lead auditor for the review of Highfield Resources Limited for the half-year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Highfield Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J McCarthy', with a long horizontal stroke extending to the right.

Julian McCarthy  
Partner  
PricewaterhouseCoopers

Adelaide  
9 September 2024



## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 30 June 2024

	Note	30 June 2024	30 June 2023
<b>Continuing operations</b>			
Interest received/(paid)		77,877	42,296
Gain/(Loss) on foreign exchange		(21,692)	3,121
Listing and share registry expenses		(42,079)	(61,428)
Professional and consultants' fees	13	(1,362,869)	(1,041,158)
Director and employee costs		(1,414,758)	(1,051,837)
Share-based payments expense	12	(184,476)	(175,332)
Travel and accommodation		(89,079)	(40,265)
Foundation donations		(18,800)	(67,831)
Impairment - Exploration	4	(910,848)	-
Depreciation	5	(5,010)	(9,428)
Other expenses	14	(1,012,021)	(771,056)
Fair value on convertible note		2,083,889	-
Interest expense on convertible note		(3,274,467)	25,248
<b>Loss before income tax</b>		<b>(6,174,333)</b>	<b>(3,147,670)</b>
<b>Net loss for the period</b>			
		<b>(6,174,333)</b>	<b>(3,147,670)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations		(2,863,576)	5,507,299
<b>Other comprehensive income for the period net of tax</b>		<b>(2,863,576)</b>	<b>5,507,299</b>
<b>Total comprehensive loss for the period</b>		<b>(9,037,909)</b>	<b>2,359,629</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents)		(1.57)	(0.81)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Condensed Consolidated Statement of Financial Position

as at 30 June 2024

	Note	30 June 2024	31 December 2023
<b>Current Assets</b>			
Cash and cash equivalents		10,258,961	14,083,844
Other receivables	3	32,717,396	28,181,863
<b>Total Current Assets</b>		<b>42,976,357</b>	<b>42,265,707</b>
<b>Non-Current Assets</b>			
Other receivables	3	1,050,603	1,208,422
Property, plant and equipment	5	13,033,530	13,127,954
Deferred exploration and evaluation expenditure	4	146,424,837	147,313,513
<b>Total Non-Current Assets</b>		<b>160,508,970</b>	<b>161,649,889</b>
<b>Total Assets</b>		<b>203,485,327</b>	<b>203,915,596</b>
<b>Current Liabilities</b>			
Trade and other payables	6	16,625,111	16,896,675
Short term bank debt	7	9,568,666	9,889,127
Loans and borrowings	8	31,965,065	-
Derivative financial liability	8	7,608,215	-
<b>Total Current Liabilities</b>		<b>65,767,057</b>	<b>26,785,802</b>
Loans and borrowings	8	-	22,790,641
Derivative financial liability	8	-	8,017,843
Other non-current liabilities	9	3,277,028	3,026,635
<b>Total Non-Current Liabilities</b>		<b>3,277,028</b>	<b>33,835,119</b>
<b>Total Liabilities</b>		<b>69,044,085</b>	<b>60,620,921</b>
<b>Net Assets</b>		<b>134,441,242</b>	<b>143,294,675</b>
<b>Equity</b>			
Issued capital	10	206,740,655	206,740,655
Reserves	11	31,640,342	34,319,442
Accumulated losses		(103,939,755)	(97,765,422)
<b>Total Equity</b>		<b>134,441,242</b>	<b>143,294,675</b>

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

**Condensed Consolidated Statement of Changes in Equity**
*for the half year ended 30 June 2024*

	Issued capital	Accumulated losses	Share-based payments reserve	Foreign currency translation reserve	Option premium reserve	Total
<b>Balance at 1 January 2023</b>	<b>203,613,937</b>	<b>(85,650,099)</b>	<b>26,459,354</b>	<b>3,298,540</b>	<b>1,000</b>	<b>147,722,732</b>
<b>Total comprehensive loss for the period</b>						
Loss for the period	-	(3,147,670)	-	-	-	(3,147,670)
Other comprehensive income – foreign currency translation	-	-	-	5,507,299	-	5,507,299
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(3,147,670)</b>	<b>-</b>	<b>5,507,299</b>	<b>-</b>	<b>2,359,629</b>
<b>Transactions with owners in their capacity as owners</b>						
Issue of securities	3,140,629	-	-	-	-	3,140,629
Cost of issue	-	-	-	-	-	-
Share-based payment	-	-	175,332	-	-	175,332
<b>Balance at 30 June 2023</b>	<b>206,754,566</b>	<b>(88,797,769)</b>	<b>26,634,686</b>	<b>8,805,839</b>	<b>1,000</b>	<b>153,398,322</b>
<b>Balance at 1 January 2024</b>	<b>206,740,655</b>	<b>(97,765,422)</b>	<b>26,778,823</b>	<b>7,539,619</b>	<b>1,000</b>	<b>143,294,675</b>
<b>Total comprehensive income for the period</b>						
Loss for the period	-	(6,174,333)	-	-	-	(6,174,333)
Other comprehensive loss – foreign currency translation	-	-	-	(2,863,576)	-	(2,863,576)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(6,174,333)</b>	<b>-</b>	<b>(2,863,576)</b>	<b>-</b>	<b>(9,037,909)</b>
<b>Transactions with owners in their capacity as owners</b>						
Issue of securities	-	-	-	-	-	-
Cost of issue	-	-	-	-	-	-
Share-based payment	-	-	184,476	-	-	184,476
<b>Balance at 30 June 2024</b>	<b>206,740,655</b>	<b>(103,939,755)</b>	<b>26,963,299</b>	<b>4,676,043</b>	<b>1,000</b>	<b>134,441,242</b>

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



## Condensed Consolidated Statement of Cash Flows

for the half year ended 30 June 2024

	30 June 2024	30 June 2023
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(4,022,824)	(5,092,751)
Interest (paid)/received	77,877	42,296
Other receipts including GST/VAT received	393,654	548,253
<b>Net cash used in operating activities</b>	<b>(3,551,293)</b>	<b>(4,502,202)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(108,738)	(903,527)
Payments for exploration and evaluation expenditure	(2,360,801)	(5,061,635)
<b>Net cash used in investing activities</b>	<b>(2,469,539)</b>	<b>(5,965,162)</b>
<b>Cash flows from financing activities</b>		
Payments of project finance fees	(5,314,428)	(11,566,518)
Proceeds from convertible note	7,574,218	24,616,187
<b>Net cash provided by financing activities</b>	<b>2,259,790</b>	<b>13,049,669</b>
Net increase/(decrease) in cash and cash equivalents	(3,761,042)	2,582,305
Cash and cash equivalents at the beginning of the period	14,083,844	19,446,085
Effect of exchange rate fluctuations on cash	(63,841)	(195,664)
<b>Cash and cash equivalents at the end of the period</b>	<b>10,258,961</b>	<b>21,832,726</b>

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

## Notes to the Condensed Financial Statements

for the half year ended 30 June 2024

### 1. Corporate Information

The condensed consolidated financial report of Highfield Resources Limited (“Highfield” or “the Company”) and its subsidiaries (together referred to as the “Group”) for the half year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 6 September 2024. Highfield is a company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors’ Report.

### 2. Summary of Material Accounting Policies

#### (a) Basis of Preparation

These condensed consolidated financial statements for the half year reporting period ended 30 June 2024 have been prepared in accordance with applicable accounting standards including AASB 134 “Interim Financial Reporting” and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 “Interim Financial Reporting”.

These condensed and consolidated half year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed half year financial statements are to be read in conjunction with the consolidated financial statements for the year ended 31 December 2023 and any public announcements made by Highfield during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### (b) Going Concern

These condensed interim financial statements have been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At the date of this report, the Group had cash and cash equivalents of \$10,258,961 (31 December 2023: \$14,083,844). The Group has a loss before income tax of \$6,174,333 (30 June 2023: \$3,147,670), operating cash outflows of \$3,551,293 (30 June 2023: \$4,502,202) and net current liability position of \$22,790,700 (31 December 2023: net current assets of \$15,479,905). The Group has no cash generating assets in operation.

In the Directors’ view the existing cash reserves, together with the continuation of the Company’s on-going funding initiatives and the recently announced deal with Yankuang Energy Group Co. and a number of strategic investors (refer to note 18 Significant Events after the Reporting Date for details) which the Company is pursuing, will deliver enough cash to complete the necessary funding for the construction of the Muga Project at US\$220 million as well as sufficient funds to cover the Group’s working capital requirements for the next 12 months so that it can continue its planned activities advancing the Muga project and be able to meet its obligations as and when they fall due. The proceeds from this aforementioned deal combined with the €320.6 million debt facility signed with a group of experienced financial institutions and the equipment operating lease financing with Macquarie Group with a total value of up to €27 million is expected to fully fund Muga and is expected to secure the viability of the Group.

However, at the date of signing of the financial report this deal has not been fully executed. In the event that this deal does not progress or is delayed the Group would need to conduct a capital raise to meet its interim funding requirements.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

#### (c) New and amended standards adopted by the Group

No new or amended standards have been adopted by the Group during the period.



**(d) Exploration and evaluation expenditure**

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

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
  - b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous periods.

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

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

	30 June 2024	31 December 2023
<b>3. Other Receivables</b>		
<b>Current</b>		
GST receivable	40,012	76,415
VAT receivable	81,300	206,691
Deposits	642	651
Advances to suppliers	253,161	-
Prepaid expenses	32,342,281	27,898,106
	<b>32,717,396</b>	<b>28,181,863</b>
<b>Non-current</b>		
Guarantees	1,050,603	1,208,422
	<b>1,050,603</b>	<b>1,208,422</b>

GST/VAT receivable are non-interest bearing and generally receivable on terms between 30 and 45 days. They are neither past due nor impaired. The amount is fully collectible. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

Deposits and guarantees represent amounts provided to third parties, which are expected to be recoverable. The Company has handed over to the relevant Administrations certain amounts of cash to cover the legal obligation to dismantle and remove the works carried out to date on site.

Advances to suppliers refer to the downpayment made to Iberdrola, a Spanish utility company, to ensure that the works to enhance the electrical substation near the mine will commence by the end of 2024. This substation will feed the Muga mine during the operational phase.

Prepaid expenses reflect the transaction costs directly attributable to the formalisation of the Project financing for Muga, to be included as part of amortised cost of debt facility when drawn down. Prepaid expenses can be broken down as follows:

**Prepaid expenses**

Banks' upfront fees	11,599,132	11,731,176
Bank's commitment fees	14,536,006	9,889,127
Agent fees	630,198	637,372
Legal fees	817,467	826,772
Financial adviser success fees	2,967,583	3,001,366
Due diligence costs	1,791,895	1,812,293
	<b>32,342,281</b>	<b>27,898,106</b>

30 June 2024

31 December 2023

**4. Deferred Exploration & Evaluation Expenditure**

Opening balance	147,313,513	126,574,416
Exploration and evaluation expenditure incurred during the period	1,612,165	16,397,459
Impairment	(910,848)	-
Net exchange differences on translation	(1,589,993)	4,341,638
	<b>146,424,837</b>	<b>147,313,513</b>

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

An impairment expense of \$910,848 (2023: nil) was recorded at the half year in relation to expenses previously recorded in the previously impaired projects of the Company which remained in the books. These expenses were identified after a thorough review of the carrying balance of Muga and mainly related to consultants' costs incurred in prior years.

30 June 2024

31 December 2023

**5. Property, Plant and Equipment**

Cost	13,683,012	13,779,758
Accumulated depreciation and impairment	(649,482)	(651,804)
<b>Net carrying amount</b>	<b>13,033,530</b>	<b>13,127,954</b>

**Movements in Property, Plant and Equipment**

Opening balance	13,127,954	4,783,362
Additions	58,318	8,199,165
Net exchange differences on translation	(147,732)	171,701
Depreciation charge for the period	(5,010)	(26,274)
<b>Closing balance</b>	<b>13,033,530</b>	<b>13,127,954</b>

Property, Plant and Equipment include the initial construction works around the mine gate and the amounts of the Construction Tax payable to the Townhalls of Sangüesa and Undués de Lerda.

**30 June 2024**      **31 December 2023**

## 6. Trade and Other Payables

### Current

Trade payables	9,017,506	9,149,545
Accruals	7,607,605	7,747,130
	<u>16,625,111</u>	<u>16,896,675</u>

Trade payables and accruals are non-interest bearing and generally payable on terms between 30 and 45 days. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

A significant portion of the trade payables represent the Construction Tax payable to the Townhall of Sangüesa whereas the bulk of the accruals refer to the outstanding land expropriation payments that the Company will pay after the funds to fully fund the construction of Muga are obtained.

**30 June 2024**      **31 December 2023**

## 7. Short Term Bank Debt

Commitments fees	9,568,666	9,889,127
	<u>9,568,666</u>	<u>9,889,127</u>

Short term bank debt refers to commitment fees payable to the banks that participate in the Project financing for Muga. As per the facility agreement these fees are computed at a certain rate of the margin applicable to the facility, calculated on the lenders' available commitment to date. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

**30 June 2024**      **31 December 2023**

## 8. Convertible Note

### Current

Host debt component	31,965,065	-
Conversion option	7,608,215	-
	<u>39,573,280</u>	-

### Non-current

Host debt component	-	22,790,641
Conversion option	-	8,017,843
	-	<u>30,808,484</u>

On 22 May 2023, the Group entered into a Convertible Note agreement with EMR and Tectonic Investment Management. The agreement with a maturity date of 24 months consisted in the issuance of 1,938 notes (arrangement fee at 2% added to the original 1,900 notes instead of being paid in cash at inception) bearing an interest rate of 14% annually (Tranche 1). The interest will be paid in kind via addition to the convertible notes amount and will mandatorily be converted into fully paid ordinary shares in the Company before the first drawdown of the €320.60 million senior loan facility secured with a group of European banks to fund the Muga Project.

A further US\$6 million (A\$8.9 million) investment was secured in December 2023 in the form of 714 convertible notes (with a 2% arrangement fee added to the original 700 notes instead of being paid in cash at inception) issued on similar contractual terms to the previous issuance in May 2023 (Tranche 2). The same strategic investors plus another institutional investor were the lenders. Proceeds from the notes owned by the institutional investor were received in December 2023 at which point 102 notes were issued. Proceeds from the remaining 612 notes were received in early 2024. As a result, the corresponding notes were issued in January and February 2024. Upon execution of Tranche 2 the conversion price of the Tranche 1 options was amended.



As a result of these two tranches a total of 2,652 notes are being held by the lenders as at the date of this report. The notes' maturity date is two years from the loan note completion date, 22 June 2025, and have therefore been reclassified to current liabilities as at the date of this report.

The Convertible Note has been determined to contain a host debt and a conversion option. Where borrowings include a conversion option, the portion of the proceeds that relate to the fair value of the conversion option are recognised as an embedded derivative. The embedded derivative is measured at fair value at initial recognition with the subsequent fair value revaluation impact flowing through profit and loss at each reporting period.

With respect to the host instrument, its initial value is the residual amount after separating the embedded derivative on the date the contract is entered into. For subsequent measurement, the host debt is measured at amortised cost using the effective interest method.

For determining the initial fair value of the conversion option, the Black-Scholes method was used with the following assumptions:

- conversion option price of \$0.515 (May 2023) and \$0.2832 (Dec 2023) for Tranche 1 and \$0.3147 (Dec 2023) for Tranche 2;
- share price at inception of \$0.535 (May 2023), \$0.505 (Jun 2023), \$0.330 (Dec 2023), \$0.305 (Jan 2024) and \$0.340 (Feb 2024);
- expected volatility of 50% applied consistently throughout all the valuations;
- convertible note term of 2.12 years for the Tranche 1 options and between 0.49 to 1.35 for the Tranche 2 options; and
- risk free interest rate ranges from 3.374% to 4.074%.

	30 June 2024	31 December 2023
<b>9. Non-current Liabilities</b>		
Restoration provision	213,043	215,468
Other non-current liabilities	3,063,985	2,811,167
	<b>3,277,028</b>	<b>3,026,635</b>

The Company has a legal obligation to dismantle and remove all the installations it constructs on the mining area and to restore and rehabilitate the land on which they are situated. A provision has therefore been established which reflects the estimated rehabilitation costs based on the site works undertaken as at the half year ended 30 June 2024. The rehabilitation provision represents the best estimate of the expenditure required to meet this obligation when the mine ceases to operate. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset and amortised accordingly.

Other non-current liabilities relate to the payment which Macquarie Specialised Assets Services Ltd. ("Macquarie") has made on behalf of the Company to a mining equipment supplier. Upon receipt of the equipment, title will be transferred to Macquarie and a lease agreement on the equipment will commence under the terms set out in the Master Rental Agreement signed with Macquarie for a total amount up to €20.6 million + US\$4.7 million. As at the date of this report the Company had utilised US\$3.3 million of the funds. Transaction costs in connection with this arrangement are offsetting the lease facility.

	30 June 2024	31 December 2023
<b>10. Issued Capital</b>		
<b>(a) Issued and paid up capital</b>		
Issued and fully paid	206,740,655	206,740,655



	30 June 2024	
	No.	\$
<b>(b) Movements in ordinary shares on issue</b>		
<i>Half year ended 30 June 2024:</i>		
Opening balance	392,183,733	206,740,655
Issue of securities	-	-
Closing balance	<b>392,183,733</b>	<b>206,740,655</b>

	30 June 2024	31 December 2023
<b>11. Reserves</b>		
Share-based payment reserve <sup>1</sup>	26,963,299	26,778,823
Foreign currency translation reserve <sup>2</sup>	4,676,043	7,539,619
Option premium reserve <sup>3</sup>	1,000	1,000
	<b>31,640,342</b>	<b>34,319,442</b>

<sup>1</sup> The share-based payment reserve is used to record the value of equity benefits provided to Directors, executives and employees as part of their remuneration package for their goods and services.

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

<sup>3</sup> The option premium reserve is used to record the amount received on the issue of unlisted options.

	Half year ended 30 June 2024	Half year ended 30 June 2023
<b>12. Share-based Payments</b>		
Share-based payment transactions recognised as operational expenses in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income during the period were as follows:		
Options granted during the period	23,000	361
Options granted in prior periods	161,476	174,971
	<b>184,476</b>	<b>175,332</b>

**Employee share-based payments**

The Company operates an equity incentive plan known as 'Highfield Resources Limited Employee Long Term Incentive Plan' ("ELTIP"). Subject to the attainment of performance hurdles and vesting conditions, participants in this plan may receive options. The long-term incentive is an equity component of employees' at-risk reward opportunity and is linked to the creation of shareholder value and aims to foster employee retention.

The fair value at grant date of options granted each period is determined using the binomial method, and taking into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

At the half year ended 30 June 2024 the Company had not granted options for the financial year commencing 1 January 2024 under the ELTIP plan to employees. The Board's decision on the number of instruments to be granted is expected to be made during the second half of the year.

The table below summarises options granted during the half year ended 30 June 2024:

Grant Date	Expiry date	Exercise price	Granted during the half year	Exercised during the half year	Lapsed during the half year	Number at 30 June 2024	Exercisable at 30 June 2024
14/06/2024	30/06/2027	\$0.67	1,000,000 <sup>1</sup>	-	-	1,000,000	1,000,000
			<b>1,000,000</b>			<b>1,000,000</b>	<b>1,000,000</b>

<sup>1</sup> Options granted to Non-Executive Director Mr Luke Anderson as part of his commencement arrangements. There are no service vesting or performance vesting conditions in respect of these options.

The model inputs for options granted during the half year ended 30 June 2024 included:

- (a) options were granted for no consideration;
- (b) expected lives of the options range from 3.51 to 5.51 years;
- (c) share price at grant date of \$0.335;
- (d) expected volatility of 50%;
- (e) expected dividend yield of Nil; and
- (f) a risk free interest rate of 4.011%.

	Half year ended 30 June 2024	Half year ended 30 June 2023
<b>13. Professional and Consultants' Fees</b>		
Corporate advisory fees	679,268	181,705
Legal fees	538,947	214,152
Due diligence fees	75,000	570,419
Other	69,654	74,882
	<b>1,362,869</b>	<b>1,041,158</b>

	Half year ended 30 June 2024	Half year ended 30 June 2023
<b>14. Other Expenses</b>		
Advertising and promotion	79,115	29,530
Computer and software expenses	60,325	76,950
Subscriptions and memberships	14,029	62,702
Investor relations	83,089	53,360
Insurances	293,189	342,392
Rents	98,094	128,356
Fundraising expenses	-	20,297
Other administration expenses	384,180	57,469
	<b>1,012,021</b>	<b>771,056</b>

### 15. Capital Expenditure Commitments

As of 30 June 2024, the Group had entered into a number of contracts as part of the development of its Muga Project in Spain. Expected payments in relation to these contracts will amount to approximately \$256.7 million (\$88.0 million once the Notices to Proceed are issued to the equipment suppliers, and \$168.7 million for the civil works and ramp construction contracts). These contracts will be executed only when sufficient financing has been secured. In the meantime, the contracts can be terminated by the Company at any time. The amount payable upon termination would be approximately \$0.3 million.



**16. Dividend**

No dividend was paid or declared by the Company in the half year ended 30 June 2024 or in the period since the end of the half year financial period and up to the date of this report.

**17. Contingent Assets and Liabilities**

There are no known contingent assets or liabilities as at 30 June 2024 (31 December 2023: Nil).

**18. Significant Events after the Reporting Date**

On 19 July 2024, the Company announced that it had entered into a non-binding letter of intent with Yankuang Energy Group Co., and a number of strategic investors that would entail the raising of a minimum US\$220 million of equity capital through a placement of shares to complete the Muga finance. This deal is conditional on the Company acquiring from Yankuang the Southey potash project in Saskatchewan, Canada with issue of new Highfield ordinary shares as consideration (refer ASX Announcement 19 July 2024, “Transformative Transaction Proposed to Finance Muga and Create a New Globally Diversified Potash Company”).



## Directors' Declaration

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In the opinion of the Directors of Highfield Resources Limited:

1. The attached condensed financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half year then ended; and.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

**Paul Harris**  
**Chairman**

9 September 2024





# Independent auditor's review report to the members of Highfield Resources Limited

## Report on the half-year financial report

### **Conclusion**

We have reviewed the half-year financial report of Highfield Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed Consolidated Statement of Financial Position as at 30 June 2024, the Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended on that date, material accounting policy information and selected explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Material uncertainty relating to going concern**

We draw attention to Note 2b, in the half-year financial report, which indicates that the Group incurred a net loss of \$6.2m during the half year ended 30 June 2024 and, as of that date, the Group's current liabilities exceeded its total assets by \$22.8m. The Group's ability to continue as a going concern is dependent on securing the remaining funding for their Muga Project ("Muga") or other sources of funding. These conditions, along with other matters set forth in Note 2b, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### **Responsibilities of the directors for the half-year financial report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations*

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Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

**Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PRICEWATERHOUSE COOPERS

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A handwritten signature in black ink, appearing to read 'Julian McCarthy', is written over a printed name and title.

Julian McCarthy  
Partner

Adelaide  
9 September 2024

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