Highfield Resources

ABN 51 153 918 257

Annual Report

30 June 2013

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CORPORATE DIRECTORY

Directors
Mr Derek Carter (Non-Executive Chairman)
Mr Anthony Hall (Managing Director)
Mr Scott Funston (Executive Director)
Mr Pedro Rodriguez (Executive Director)
Mr Owen Hegarty (Non-Executive Director)
Mr Richard Crookes (Non-Executive Director)

Company Secretary
Mr. Aaron Bertolatti

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

Directors' Report

The Directors present their report for Highfield Resources Limited ("Highfield Resources" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2013.

DIRECTORS

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

Mr. Derek Carter (appointed 11 October 2012)
Non-Executive Chairman, BSc, MSc, FAusIMM(CP)

Mr. Carter has over 40 years' experience in exploration and development, including nearly 20 years in management of ASX-listed exploration companies. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur in 1993. Mr. Carter was Managing Director of Minotaur from its inception until early 2010 when he became Chairman.

Mr. Carter was Vice President, and later, President of the South Australian Chamber of Mines and Energy and was a Director of the Australian Gold Council. He is a member of the South Australian Resources Industry Development Board, and the South Australian Minerals and Petroleum Experts Group and is a board member of the Australasian Institute of Mining and Metallury (AusIMM). Mr. Carter is a recipient of AMEC's Prospector of the Year Award (jointly), the AusIMM's President Award and is a Centenary medallist.

Mr. Carter is also Chairman of Petratherm Ltd, and is a Director of Director of Mithril Resources Ltd and Blackthorn Resources Ltd, all of which are listed on the ASX.

Mr. Anthony Hall, BBus, LLB (Hons), ACSA
Managing Director

Mr. Hall has close to 20 years commercial experience. Prior to his appointment as Managing Director in October 2011 he was Head of Strategy and Business Development of Lend Lease Solar (part of the ASX listed Lend Lease Company (Lend Lease)). In this role he was responsible for setting the strategy of the newly created entity and positioning the entity for growth in the emerging renewable energy market in Australia.

During his employment with Lend Lease, Mr. Hall worked in the venture capital subsidiary where his responsibilities included setting investment strategies in targeted market sectors, reviewing and assessing global entities involved in these sectors, executing investments in these entities and ongoing involvement in investee entities.

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

Mr. Scott Funston (appointed 2 November 2012)
Executive Director, BBus, CA, ACSA

Mr. Funston is a qualified Chartered Accountant and Company Secretary with more than 10 years' experience in the mining industry and accounting profession. His expertise is financial management and general corporate advice. Mr. Funston possesses a strong knowledge of the ASX requirements and has assisted a number of resources companies operating throughout Australia, Africa, Asia, Europe, USA, South America and Canada with financial accounting, stock exchange compliance, general corporate advice and regulatory activities.

Mr. Funston is currently a Director of ASX listed Avanco Resources Limited, Lindian Resources Limited, The Waterberg Coal Company and Castillo Copper Limited. Mr. Funston is also company secretary of Lindian Resources Limited and Avanco Resources Limited.

Mr. Pedro Rodriguez (appointed 11 October 2012)
Executive Director, BSc, MSc

Mr. Rodriguez has over 30 years' experience in mining services in Spain. Over his career Mr. Rodriguez has worked with six international mining companies in Spain (Peñarrolla Spain-SMMPE, Billiton International, Navan-Almagrera, Newmont Spain, Ormonde Mining, Heemskirk Consolidated Limited). His roles ranged from exploration supervision to high administrative posts.

Most recently he had direct responsibility to the Board of Directors of Almagrera SA for delivering a mining chemical complex with more than 460 direct employees and sales greater than US$50 million per annum. The complex presently produces more than 1.4 million tonnes per annum of polimetallic minerals of copper, zinc and lead, and 300,000 tonnes per annum of sulphuric acid.

Mr. Richard Crookes (appointed 16 May 2013)
Non-Executive Director, BSc (Geology), Grad Dip Applied Finance

Mr. Crookes has over 25 years' experience in the resources and investments industry. He is a geologist by training having worked as the Chief Geologist and Mining Manager of Ernest Henry Mining in Australia (now Xstrata). Prior to Mr. Crookes joining EMR Capital as an Investment Director he was an Executive Director in Macquarie Bank's Metals Energy Capital (MEC) Division where he managed all aspects of the Bank's principal investments in mining and metals companies.

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

Mr. Owen Hegarty (appointed 14 August 2013)
Non-Executive Director, Bec (Hons), FAusIMM
Mr Hegarty has some 40 years' experience in the global mining industry. He spent 25 years with Rio Tinto where he was Managing Director of Rio Tinto Asia and Managing Director of the Group's Australian copper and gold business. He was the founder and CEO of Oxiana Ltd Group which grew from a small exploration company to a multi-billion dollar Asia Pacific focused base and precious metals producer, developer and explorer.

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

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

Mr. Jonathan Murray (resigned 14 August 2013)
Non-Executive Director, LLB (Hons)
Mr. Murray has more than 15 years' experience as a commercial lawyer. He is a partner of Perth based law firm, Steinepreis Paganin. Mr. Murray's principal practice areas include equity capital markets, takeovers, project acquisitions and divestments, corporate governance, commercial law and strategy.

Mr. Murray has a Bachelor of Laws from Murdoch University in Western Australia, and is a member of the Financial Services Institute of Australia. Mr. Murray is currently a non-executive Director of ASX listed Hannans Reward Limited and Peak Resources Limited.

Mr. Mark Arundell (resigned 2 November 2012)
Executive Director, BSc (Hons), MEconGeol
Mr. Arundell has over 25 years' experience in the mining industry working for major companies such as Rio Tinto, North Ltd and Renison Goldfields Consolidated. Mr. Arundell has extensive experience in potash having been a consultant to and then principal geologist for Rio Tinto Exploration's Industrial Minerals Exploration (IMEx) division in Australia. Mr. Arundell has subsequently consulted on potash projects for a number of clients in Australia, North America, South America, Africa, Asia and Europe.

COMPANY SECRETARY

Mr. Aaron Bertolatti, BCom, CA, ACSA
Mr. Bertolatti is a qualified Chartered Accountant and Company Secretary with over 9 years' experience in the mining industry and accounting profession. Mr. Bertolatti has both local and international experience. Mr. Bertolatti provides assistance to a number of resource companies operating in Australia and Mongolia with financial accounting and stock exchange compliance.

Mr. Bertolatti has significant experience in the administration of ASX listed companies, corporate governance and corporate finance. Mr. Bertolatti is currently company secretary of the ASX listed Voyager Resources Limited, Caravel Energy Limited, Wolf Petroleum Limited and Haranga Resources Limited.

INTERESTS IN THE SECURITIES OF THE COMPANY

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

Director	Ordinary Shares	Class A Performance Shares	Class B Performance Shares	Options – exercisable at $0.20 each on or before 1-Nov-16	Options – exercisable at $0.40 each on or before 31-May-17
Derek Carter	5,510,752	5,510,752	5,510,752	-	1,500,000
Anthony Hall	40,001	-	-	4,000,000	2,500,000
Scott Funston	1,395,000	-	-	-	1,000,000
Pedro Rodriguez	5,510,752	5,510,752	5,510,752	-	1,500,000
Jonathan Murray	450,001*	-	-	-	250,000**
Owen Hegarty	-	-	-	-	-
Richard Crookes	-	-	-	-	-

***** 140,000 Ordinary Shares are held on trust for other third parties.
****** 140,000 unlisted options are held on trust for other third parties.

RESULTS OF OPERATIONS

The Company's net loss after taxation attributable to the members of Highfield Resources for the year to 30 June 2013 was $3,488,808 (2012: $388,694).

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

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

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES
The principal activity of the Company during the financial year was mineral exploration and development.

REVIEW OF OPERATIONS

Highfield Resources is an Australian based potash development company listed on the Australian Securities Exchange.

SIERRA DEL PERDON POTASH PROJECT

Highfield's 100% owned Sierra del Perdón project covers an area of about 80km^2 in Northern Spain. It contains two former operating mines that produced close to 10 million tonnes of potash between 1972 and 1997[1].

Highfield is presently drilling four confirmatory holes across the project area with a view to confirming its 3D mine model. Core samples from the four holes will be assayed and subjected to metallurgical and geotechnical testing. With this information Highfield expects to be in a position to confirm the best initial mine method.

Highfield has engaged ALS Global, operating from its laboratory in Seville, Spain to complete the assaying of the core. The metallurgical testing will be completed by UK-based Wardell Armstrong International Limited. The stress testing and other geotechnical tests will be completed by the Spanish based contracting firm SADIM. All organisations engaged by Highfield to undertake this work have potash experience. The completion of this work is all critical to the development activities necessary to open a potash mine.

In addition to the above, the US based consulting engineers and geologists, Agapito Associates, with considerable global experience in potash resource estimation, engineering and mining have been engaged to work directly with the Company to take the project through the development phase.

JAVIER POTASH PROJECT

Highfield's 100% owned Javier project covers an area of about 20km^2 in Northern Spain. Depths to the top of the potash mineralisation are relatively shallow at between 300 metres and 530 metres.

A drilling campaign commenced on site in late July 2013 that will see 11 holes drilled over a three month period. A JORC Code-compliant Resource Estimate for the Javier project is expected in the September Quarter of 2013.

Highfield is completing metallurgical testing on the resampled core and has received encouraging interim results from a transport study prepared by the Spanish domiciled global consulting firm IDOM. The study was commissioned to determine the best options to transport finished product from potential operations at both Sierra del Perdón and Javier. Highfield expects to be in a position to release the key results from the final transport study in the September Quarter of 2013.

In addition, Highfield has commissioned the Spanish-based contracting firm, Advanced Mineral Processing, to prepare basic engineering and indicative capital expenditure (Capex) and operational expenditure (Opex) amounts for a processing plant at Javier. As with other Highfield contractors, Advanced Mineral Processing has potash processing plant experience. The Company expects to receive this information in the September Quarter of 2013.

[1] 1 Source: Annual Minestrio de Industria lodgements by Mina de Potasas de Navarra, SA (former mine owner)

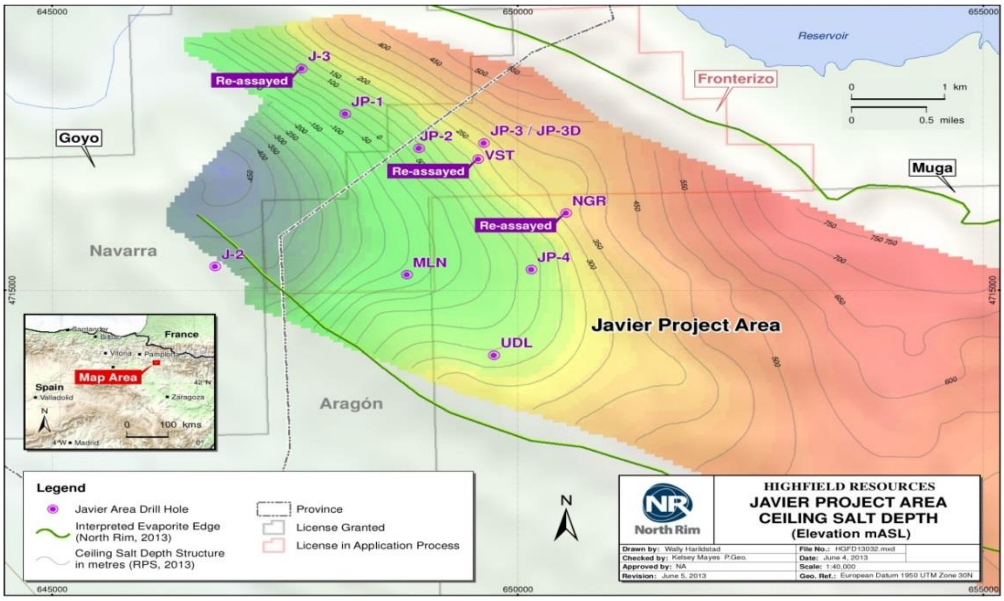

Figure 1: Javier Area Historical Drilling and Re-assayed Wells.

Note: Contour lines reflect estimated depth to top of evaporite salt in metres above sea level. MLN, UDL and J-2 do not contain potash mineralization. The remaining wells (JP-1 to JP-4) were not re-assayed as no core was available, only historical assays. The historical assay results of JP-1 to JP-4 will be released within the Maiden JORC Report expected for Javier in August 2013.

PINTANO POTASH PROJECT

Highfield's 100% owned Pintano project abuts the Javier project area and covers an area of about 100km^2. Depths to the top of the potash mineralisation range from 500 metres to about 1,200 metres (Figure 2).

On 27 May 2013 the second and final Pintano project permit was issued by the Aragón Administration. Puntarrón is a significant permit and ensures the Company preserves potential resource upside if the mineralisation extends into deeper sections of the Pintano evaporite basin, as shown below.

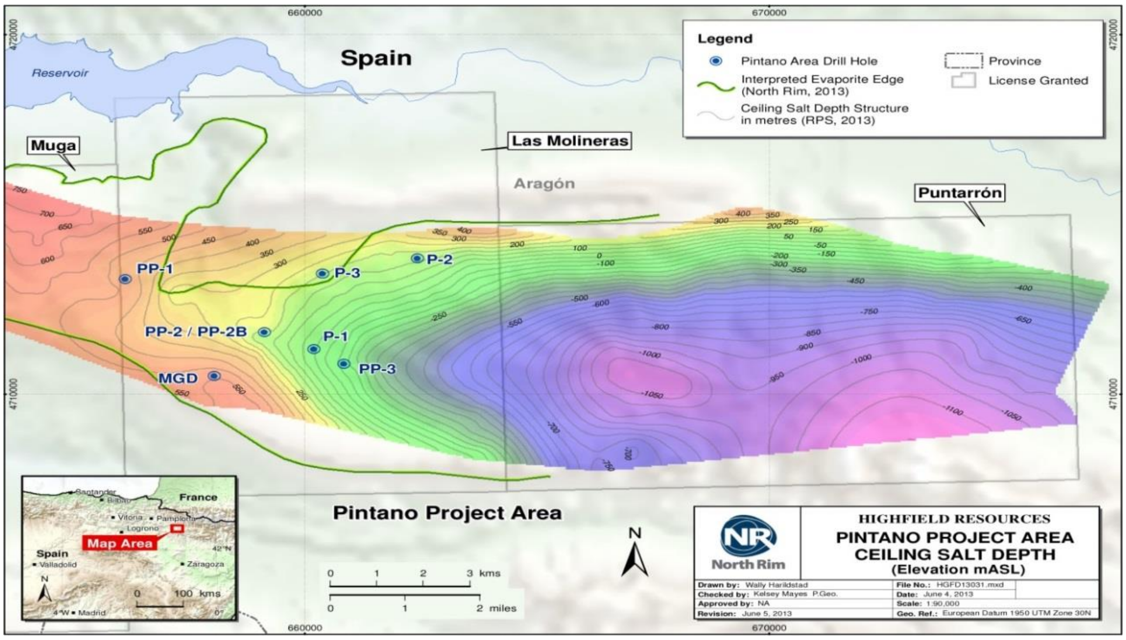

Figure 2: Pintano Area Historical Drilling.
Note: Contour lines reflect depth to top of evaporite salt in metres above sea level.

The Board expects to initiate a drilling campaign for Pintano in the latter half of 2013. This drilling campaign has been designed to complement the four existing drill holes that show mineralisation within the project area.

MCLARTY POTASH PROJECT

The McLarty project is a significant greenfields asset covering more than 1,700km^2 in the Canning Basin, Western Australia. Two strong drill hole targets have been identified to test the evaporite for potash mineralisation. The drilling programme for this project is ready to commence later this year. The Company is presently considering how best to advance this project.

CORPORATE

The Company's office in Pamplona, Spain is now operational and houses all of Highfield's Spanish-based team. In addition, Highfield's Spanish project website has been enabled. The www.geoalcali.com site will be used as part of the Company's community engagement strategy to provide project updates to interested parties in Spain.

Cornerstone Investment

On 9 August 2013 Highfield received the second and final tranche of a $10 million investment from EMR Capital. EMR Capital is a recently established institutional fund led by highly respected and knowledgeable industry executives including Owen Hegarty, Jason Chang and Richard Crookes. A total of 40,000,000 ordinary shares were allotted.

Appointments

On 11 October 2012 the Company announced the appointment of distinguished industry professionals, Derek Carter and Pedro Rodriguez to the Board.

On 2 November 2012 Mark Arundell resigned as a director and was replaced by Scott Funston.

On 29 January 2013, the Company announced the appointments of a Spanish based General Manager and Mine Engineer to progress mine development activities.

On 16 May 2013, Mr Richard Crookes was appointed to the Board as EMR Capital's nominated director.

Three additional key appointments were made by Highfield's 100%-owned Spanish subsidiary during the year. An environmental scientist was appointed to drive the environmental approvals process; a qualified lawyer with extensive planning experience was appointed to manage the community engagement and planning process; and an additional project geologist was appointed to work on the second concurrent drilling campaign on the Javier potash project.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In October 2012 the Company acquired three Spanish based potash projects, Sierra del Perdón, Javier and Pintano. Each project is located in North Western Spain and is 100% owned by the Company. The projects are located in the Navarra region of the potash producing Ebro Basin.

The Company issued the following shares as consideration for the acquisition;

a) 50,000,000 ordinary shares; and
b) 100,000,000 performance shares to be converted to ordinary shares upon the successful completion of two Project related milestones (50,000,000 ordinary shares per milestone).

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 28 June 2013, shareholder approval was received for an additional allotment of 16,244,374 ordinary shares at 30c to EMR Capital raising $4,873,312. The Company received the Tranche 2 and final proceeds and allotted these additional shares on 12 August 2013.

On 14 August 2013, Mr Owen Hegarty was appointed to the Board and Mr Jonathan Murray resigned as a director.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

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

SHARE OPTIONS

As at the date of this report, there were 20,000,000 unissued ordinary shares under options (20,000,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price $	Expiry Date
7,000,000	$0.40	31-May-17
3,000,000	$0.30	31-Jan-17
4,000,000	$0.20	19-Oct-16
6,000,000	$0.20	1-Nov-16

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No options expired or were exercised during or since the year ended 30 June 2013.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Derek Carter	5	5
Anthony Hall	5	5
Scott Funston	4	4
Pedro Rodriguez	5	5
Jonathan Murray	5	4
Richard Crookes	1	1
Mark Arundell	1	1

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

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES
Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Highfield Resources with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 36 of the annual report.

Non-Audit Services
Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 14 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

REMUNERATION REPORT (AUDITED)
This report outlines the remuneration arrangements in place for Directors and executives of Highfield Resources Limited in accordance with the requirements of the Corporation Act 2001 and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Details of Key Management Personnel

Mr Derek Carter	Non-Executive Chairman – (appointed 11 October 2012)
Mr Anthony Hall	Managing Director
Mr Scott Funston	Executive Director - (appointed 2 November 2012)
Mr Pedro Rodriguez	Executive Director - (appointed 11 October 2012)
Mr Owen Hegarty	Non-Executive Director - (appointed 14 August 2013)
Mr Richard Crookes	Non-Executive Director - (appointed 16 May 2013)
Mr Jonathan Murray	Non-Executive Director - (resigned 14 August 2013)
Mr Mark Arundell	Non-Executive Director - (resigned 2 November 2012)
Mr Aaron Bertolatti	Company Secretary

Remuneration Policy
The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter. Due to the current size of the Company and number of Directors, the board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors generally have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations except for options issued to the managing Director pre-listing. Details are set out in note 15.

The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Company has no policy on executives and Directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

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

As at 30 June	**2013**	**2012**
Loss per share (cents)	(4.22)	(1.11)
Share Price	$0.36	$0.19

Details of Remuneration
Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company for the year ended 30 June 2013 are as follows:

2013	Short term			Options	Post employment		Total	Option
	Base Salary $	Directors Fees $	Consulting Fees $	Share Based Payments $	Superannuation $	Prescribed Benefits $	$	related %
Directors								
Derek Carter	-	-	43,333	140,810	-	-	184,143	76%
Anthony Hall	-	-	260,000	234,683	-	-	494,683	47%
Scott Funston	-	58,750	20,000	93,873	-	-	172,623	54%
Pedro Rodriguez	-	-	205,697	140,810	-	-	346,507	41%
Jonathan Murray	-	54,167	-	23,468	-	-	77,635	30%
Richard Crookes	-	-	-	-	-	-	-	-
Mark Arundell	-	-	29,500	-	-	-	29,500	-
Key Management								
Aaron Bertolatti	-	-	-	23,468	-	-	23,468	100%
	-	**112,917**	**558,530**	**657,112**	**-**	**-**	**1,328,559**	

There were no other executive officers of the Company during the financial year ended 30 June 2013.

2012	Short term			Options	Post employment		Total	Option
	Base Salary $	Directors Fees $	Consulting Fees $	Share Based Payments $	Superannuation $	Prescribed Benefits $	$	related %
Directors								
Jonathan Murray	-	16,667	-	-	-	-	16,667	-
Anthony Hall	-	-	141,667	52,423	-	-	194,090	27.0
Mark Arundell	-	-	66,664	-	-	-	66,664	-
Key Management								
Scott Funston	-	-	25,000	-	-	-	25,000	-
Aaron Bertolatti	-	-	-	-	-	-	-	-
	-	**16,667**	**233,331**	**52,423**	**-**	**-**	**302,421**	

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

2013	Grant Date	Grant Number	Expiry date/last exercise date	Fair Value per option at grant date	Exercise price per option	Value of options at grant date *	Number of options vested	Vested	Max value yet to vest
Directors									
Anthony Hall	01/11/2011	4,000,000	01/11/2016	$0.013	$0.20	$52,423	2,000,000	50%	$9,918
	28/06/2013	2,500,000	31/05/2017	$0.187	$0.40	$468,084	1,250,000**	50%	$234,042
Derek Carter	28/06/2013	1,500,000	31/05/2017	$0.187	$0.40	$280,850	750,000**	50%	$140,425
Scott Funston	28/06/2013	1,000,000	31/05/2017	$0.187	$0.40	$187,234	500,000**	50%	$93,617
Pedro Rodriguez	28/06/2013	1,500,000	31/05/2017	$0.187	$0.40	$280,850	750,000**	50%	$140,425
Jonathan Murray	28/06/2013	250,000	31/05/2017	$0.187	$0.40	$46,808	125,000**	50%	$23,404
Key Management									
Aaron Bertolatti	28/06/2013	250,000	31/05/2017	$0.187	$0.40	$46,808	125,000**	50%	$23,404
		11,000,000				**$1,363,057**	**5,500,000**		**$665,235**

* the value at grant date has been calculated in accordance with AASB 2 *Share based payments*

** 50% of the director options vested on 31 May 2013 and the remaining 50% will vest on 31 May 2014

Grant of Options to Pursuant to Employment Contract - Mr. Anthony Hall

Mr. Hall was granted 4,000,000 options in the Company on the following specific terms:

1. 1 million options vesting upon the date that the Company successfully lists on the ASX.
2. 1 million options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.30 or higher.
3. 1 million options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.40 or higher.
4. 1 million options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.50 or higher.

Service Agreements

Executive Directors

The Managing Director, Mr. Anthony Hall is employed under a consulting services agreement, which commenced on 1 November 2011 for a year of 24 months unless extended by both parties. Under the agreement Mr. Hall is to be paid an annual fee of $280,000. Mr. Hall may terminate the agreement at any time by giving three months' notice in writing, or such shorter year of notice as may be agreed. The Company may terminate the agreement by giving three months' notice or by paying an amount equivalent to three months fees (based on agreed consulting fee) or without notice in the case of serious misconduct, at which time Mr. Hall would be entitled to that portion of consulting fees services arising up to the date of termination. No additional Directors fees will be paid to Mr. Hall in addition to the fees paid under the consulting agreement.

The Development Director, Mr. Pedro Rodriguez is employed under a consulting services agreement, which commenced on 1 October 2012 for a year of 24 months unless extended by both parties. Under the agreement Mr. Rodriguez is to be paid an annual fee of €180,000. Mr. Rodriguez may terminate the agreement at any time by giving three months' notice in writing, or such shorter year of notice as may be agreed. The Company may terminate the agreement by giving three months written notice or by paying an amount equivalent to three month's fees (based on agreed consulting fee) or without notice in the case of serious misconduct, at which time Mr. Rodriguez would be entitled to that portion of consulting fees services arising up to the date of termination. No additional Director's fees will be paid to Mr. Rodriguez in addition to the fees paid under the consulting agreement.

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

Loans to Directors and Executives

There were no loans to Directors and executives during the financial year ended 30 June 2013.

END OF AUDITED REMUNERATION REPORT

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

Mr. Anthony Hall - Managing Director
Perth, Western Australia
22 August 2013

Corporate Governance Statement

The Board of Directors of Highfield Resources Limited ("Highfield Resources" or "the Company") is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company has established a set of corporate governance policies and procedures and these can be found within the Company's Corporate Governance Plan located on the Company's website: www.highfieldresources.com.au. These are based on the Australian Securities Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the year. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. To further this, the Company's Trading Policy can also be found on the Company's website as can the full Corporate Governance Statement detailing all the Councils amendments which are effective 1 January 2011, including diversity, and the Company's compliance or non-compliance with these principles.

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an Independent Director:

"An Independent Director is a Director who is not a member of management, is a Non-Executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Law) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Company member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another Company member;
- is not a significant consultant, supplier or customer of the Company or another Company member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another Company member other than as a Director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company."

No Director of the Company is considered independent as per the definition of independence above. Accordingly, a majority of the board is not considered independent. There are procedures in place, as agreed by the board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Company's expense. The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Derek Carter	10 months
Anthony Hall	1 year 10 months
Scott Funston	9 months
Pedro Rodriguez	10 months
Owen Hegarty	<1 month
Richard Crookes	2 months

Nomination Committee

The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. At such time when the Company is of sufficient size a separate Nomination Committee will be formed.

Audit and Risk Management Committee

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function of the Committee will be undertaken by the full Board in accordance with the policies and procedures outlined in the Audit and Risk Management Committee Charter. At such time when the Company is of sufficient size a separate Audit and Risk Management Committee will be formed. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-financial information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control of the Company.

Performance

The Board of Highfield Resources conducts its performance review of itself on an ongoing basis throughout the year. The small size of the Company and hands on management style requires an increased level of interaction between Directors and executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Company.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. The Company does not link the nature and amount of executive and Directors' emoluments to the Company's financial and operational performance.

For details of remuneration of Directors and Executives please refer to the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for executive Directors. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Company is of sufficient size a separate Remuneration Committee will be formed. There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

Diversity Policy

The Company is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its Directors, officers and employees, to enhance Company performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees.

In accordance with this policy, the Board provides the following information pertaining to the proportion of women across the organisation at the date of this report.

	Actual	
	Number	**Percentage**
Women in the whole organisation	3	33%
Women in senior executive positions	-	-
Women on the board	-	-

Trading Policy

Under the Company's securities trading policy, an executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Managing Director to do so and a Director must first obtain approval of the Chairman. Only in exceptional circumstances will approval be forthcoming inside of the year commencing on the tenth day of the month in which the Company is required to release its Quarterly Activities Report and Quarterly Cashflow Report and ending two days following the date of that release.

Risk

The board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the board determines the Company's risk profile and is responsible for overseeing and approving the risk management strategy and policies, internal compliance and internal control.

The board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Managing Director including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

CEO and Finance Director

In accordance with section 295A of the *Corporations Act 2001*, the Managing Director and Company Secretary have provided a written statement to the board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal control compliance and control which implements the financial policies adopted by the board
- The Company's risk management and internal compliance and control system is operating effectively in all material respects

The board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the Managing Director and Company Secretary can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Shareholder Communication Policy

Pursuant to Principle 6, the Company's objective is to promote effective communication with its shareholders at all times.

Corporate Governance Statement

Highfield Resources Limited is committed to:
- Ensuring that shareholders and the financial markets are provided with full and timely information
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act 2001* in Australia
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:
- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on the Company's website: www.highfieldresources.com.au

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Corporate Governance Compliance

During the financial year Highfield Resources has complied with each of the 8 Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1	The Company does not have a majority of independent Directors	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.2	The Chairman is not an independent Director	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.4	The Company does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.
3.3	The Company has not disclosed in its annual report its measurable objectives for achieving gender diversity and progress towards achieving them.	The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company as disclosed above. Due to the size of the Company and its small number of employees, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.
4.1 & 4.2	The Company does not have an Audit and Risk Management Committee	The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board.
8.1 & 8.2	The Company does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

Consolidated Statement of Comprehensive Income *for the year ended 30 June 2013*

	Note	30 June 2013 $	30 June 2012 $
Continuing Operations			
Interest received		125,782	101,685
Other Income		25,470	-
Listing and share registry expenses		(44,636)	(3,447)
Professional and consultants' fees	3	(811,119)	(228,908)
Service administration fees		(120,000)	(80,000)
Employee costs		(194,558)	-
Other expenses		(124,879)	(35,881)
Share based payments expense	19	(2,000,692)	(78,635)
Travel and accommodation		(332,835)	(63,508)
Occupancy expense		(6,320)	-
Depreciation		(6,167)	-
Gain on foreign exchange		1,146	-
Loss before income tax		**(3,488,808)**	**(388,694)**
Income tax expense	4	-	-
Net loss for the year		**(3,488,808)**	**(388,694)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		66,470	-
Other comprehensive income for the year net of tax		**66,470**	-
Total comprehensive loss for the year		**(3,422,338)**	**(388,694)**
Loss per share			
Basic loss per share (cents)		(4.22)	(1.11)
Diluted loss per share (cents)		(4.22)	(1.11)

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

Consolidated Statement of Financial Position *as at 30 June 2013*

	Note	2013 $	2012 $
Current Assets			
Cash and cash equivalents	5	6,188,720	3,557,760
Other receivables	6	177,864	77,159
Total Current Assets		6,366,584	3,634,919
Non-Current Assets			
Other receivables	7	30,230	-
Property, plant and equipment	8	24,435	-
Deferred exploration & evaluation expenditure	9	24,231,973	190,797
Total Non-Current Assets		24,286,638	190,797
Total Assets		30,653,222	3,825,716
Current Liabilities			
Trade and other payables	10	257,358	107,766
Total Current Liabilities		257,358	107,766
Total Liabilities		257,358	107,766
Net Assets		**30,395,864**	**3,717,950**
Equity			
Issued capital	11	20,972,569	4,028,009
Reserves	12	13,300,797	78,635
Accumulated losses	13	(3,877,502)	(388,694)
Total Equity		**30,395,864**	**3,717,950**

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

Consolidated Statement of Changes in Equity *for the year ended 30 June 2013*

	Issued capital $	Accumulated losses $	Share based payments reserve $	Foreign exchange translation reserve $	Performance share reserves $	Total $
Balance at 25 October 2011	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss for the year						
Loss for the year	**-**	(388,694)	-	-	-	(388,694)
Total comprehensive loss for the year	-	(388,694)	-	-	-	(388,694)
Transactions with owners in their capacity as owners						
Issue of seed capital	400,133	-	-	-	-	400,133
Shares issued by initial public offering	4,000,000	-	-	-	-	4,000,000
Shares issued as part consideration for acquisition	30	-	-	-	-	30
Share based payment	-	-	78,635	-	-	78,635
Costs of issue	(372,154)	-	-	-	-	(372,154)
Balance at 30 June 2012	**4,028,009**	**(388,694)**	**78,635**	**-**	**-**	**3,717,950**
Balance at 1 July 2012	**4,028,009**	**(388,694)**	**78,635**	**-**	**-**	**3,717,950**
Total comprehensive loss for the year						
Loss for the year	-	(3,488,808)	-	-	-	(3,488,808)
Foreign currency translation	-	-	-	66,470	-	66,470
Total comprehensive loss for the year	-	(3,488,808)	-	66,470	-	(3,422,338)
Transactions with owners in their capacity as owners						
Shares issued during the year	5,126,688	-	-	-	-	5,126,688
Cost of issue	(27,128)	-	-	-	-	(27,128)
Shares issued as consideration for acquisition	11,500,000	-	-	-	-	11,500,000
Performance shares issued as consideration for acquisition	-	-	-	-	11,500,000	11,500,000
Share based payment	345,000	-	1,655,692	-	-	2,000,692
Balance at 30 June 2013	**20,972,569**	**(3,877,502)**	**1,734,327**	**66,470**	**11,500,000**	**30,395,864**

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

Consolidated Statement of Cash Flows *for the year ended 30 June 2013*

	Note	2013 $	2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,647,107)	(333,060)
Interest received		158,345	46,664
Other receipts		25,470	-
Net used in operating activities	5	**(1,463,292)**	**(286,396)**
Cash flows from investing activities			
Purchase of plant and equipment		(30,602)	-
Payments for exploration expenditure and project acquisition		(974,706)	(190,767)
Net cash used in investing activities		**(1,005,308)**	**-**
Cash flows from financing activities			
Proceeds from issue of shares		5,126,688	4,400,133
Payments for share issue costs		(27,128)	(365,210)
Net cash provided by financing activities		**5,099,560**	**4,034,923**
Net increase in cash and cash equivalents		2,630,960	3,557,760
Cash and cash equivalents at the beginning of the year		3,557,760	-
Cash and cash equivalents at the end of the year	5	**6,188,720**	**3,557,760**

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

1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield" or "the Company") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 22 August 2013. Highfield is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

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

(b) Compliance Statement

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

(c) Basis of Consolidation

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

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

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

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

(d) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group entities

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

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

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

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

(e) Segment Reporting

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

(f) New accounting standards and interpretations issued but yet effective

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Company for the year ended 30 June 2013, and no change to the Company's accounting policy is required:

Reference	Title	Summary	Impact on Company's financial report	Application date for Company
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ▪ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▪ The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	The Company has considered these standards and determined that there is no impact on the Company's financial statements.	1 July 2013
AASB 10	Consolidated Financial Statements	Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 Consolidated and Separate Financial Statements and INT-112 Consolidation - Special Purpose Entities. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under AASB 10, control is based on whether an investor has: - Power over the investee - Exposure, or rights, to variable returns from its involvement with the investee, and - The ability to use its power over the investee to affect the amount of the returns.	The Company has considered these standards and determined that there is no impact on the Company's financial statements.	1 July 2013

Reference	Title	Summary	Impact on Company's financial report	Application date for Company
AASB 12	Disclosure of Interests in Other Entities	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows In high-level terms, the required disclosures are grouped into the following broad categories: - Significant judgements and assumptions - such as how control, joint control, significant influence has been determined - Interests in subsidiaries - including details of the structure of the Group, risks associated with structured entities, changes in control, and so on Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) - Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities. AASB 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.	The Company has considered these standards and determined that there is no impact on the Company's financial statements.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	The Company has considered these standards and determined that there is no impact on the Company's financial statements.	1 July 2013
AASB 119	Employee Benefits	An amended version of AASB 119 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes. The key amendments include: - Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing AASB 119) - Introducing enhanced disclosures about defined benefit plans - Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits - Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features - Classification of employee benefits: the amendments define short term employee benefits as employee benefits that are "expected to be settled wholly before twelve months after the end of annual reporting period" in place of currently used "due to be settled" Incorporating other matters submitted to the IFRS Interpretations Committee.	The Company has considered these standards and determined that there is no impact on the Company's financial statements.	1 July 2013

Reference	Title	Summary	Impact on Company's financial report	Application date for Company
AASB 127	Separate Financial Statements	Amended version of AASB 127 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from AASB 127 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in AASB 10 Consolidated Financial Statements. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with AASB 9 Financial Instruments. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.	The Company has considered these standards and determined that there is no impact on the Company's financial statements.	1 July 2013
AASB 128	Investments in Associates and Joint Ventures	This Standard supersedes AASB 128 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.	The Company has considered these standards and determined that there is no impact on the Company's financial statements.	1 July 2013

The Company has not elected to early adopt any new Standards or Interpretations.

(g) Changes in accounting policies and disclosures

In the year ended 30 June 2013, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for the current annual reporting year. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and the Directors, therefore, no change is necessary to Company accounting policies.

(h) Foreign Currency Presentation

Both the functional and presentation currency of Highfield Resources Limited is Australian dollars.

(i) Exploration expenditure

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

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

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

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

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

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

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

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

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

(j) Income Tax

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

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

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

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

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

- the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be recognised.

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

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

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

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

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

(k) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

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

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

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

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

(m) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.
For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Trade and other payables

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

(o) Provisions

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

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

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

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

(p) Issued capital

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

(q) Revenue

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

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

(r) Earnings per share

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

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

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

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

(s) Share based payment transactions

(i) Equity settled transactions:

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

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 19. The expected price volatility is based on the historic volatility of the Company's share price on the ASX.

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

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

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

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

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

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 17).

(ii) Cash settled transactions:

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

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

(t) Critical accounting estimates and judgements

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

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

Share-based payment transactions:

The Company measures the cost of equity-settled transactions and cash-settled share-based payments with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at the grant date is determined using the Black and Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted and the assumptions detailed in note 19.

The fair value of Performance Shares issued by the Company is based on the directors' assessment of those shares that are likely to convert to ordinary shares. Refer to note 25.

	2013 $	2012 $
3. Expenses		
Professional and consultants fees		
Consulting fees	(538,239)	(131,715)
Corporate advisory fees	(60,000)	(40,000)
Directors' fees	(112,917)	(16,667)
Other	(99,963)	(40,526)
	(811,119)	**(228,908)**

	2013 $	2012 $

4. Income Tax

(a) Income tax expense

	2013 $	2012 $
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	-	-

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

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

	2013 $	2012 $
Loss from continuing operations before income tax expense	(3,488,808)	(388,694)
Tax at the Australian rate of 30%	(1,046,642)	(116,608)
Share based payments	600,208	23,591
Income tax benefit not brought to account	446,434	93,017
Income tax expense	-	-

(c) Deferred tax

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

	2013 $	2012 $
Liabilities		
Total exploration and evaluation expenditure	184,349	57,230
Offset by deferred tax assets	(184,349)	(57,230)
Deferred tax liability recognised	-	-
Assets		
Losses available to offset against future taxable income	653,241	167,027
Share issue costs deductible over five years	102,338	89,317
Accrued expenses	3,127	5,550
Deferred tax assets offset against deferred tax liabilities	(184,349)	(57,230)
Net deferred tax asset not recognised	**574,357**	**204,664**

(d) Unused tax losses

	2013 $	2012 $
Unused tax losses	2,177,470	556,757
Potential tax benefit not recognised at 30%	**653,241**	**167,027**

The benefit for tax losses will only be obtained if:

i. the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
iii. no changes in tax legislation in Australia adversely affect the Company in realising the benefit from the deductions for the losses.

5. Cash And Cash Equivalents

Reconciliation of cash

	2013 $	2012 $
Cash comprises of:		
Cash at bank	**6,188,720**	**3,557,760**
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(3,488,808)	(388,694)
Non cash items		
Share based payments	2,000,692	78,635
Depreciation	6,167	-
Costs of Issue	-	(6,944)
Change in assets and liabilities		
Increase in trade and other receivables	(130,935)	(77,159)
Increase in trade and other payables	149,592	107,766
Net cash flow used in operating activities	**(1,463,292)**	**(286,396)**

	2013 $	2012 $
6. Other Receivables – Current		
GST receivable	93,780	22,138
Other	84,084	55,021
	177,864	**77,159**

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

7. Other Receivables – Non-Current		
Other	30,230	-
	30,230	**-**

8. Property, Plant and Equipment		
Cost	30,602	-
Accumulated depreciation and impairment	(6,167)	-
Net carrying amount	**24,435**	**-**
Movements in Plant & Equipment:		
Opening balance	-	-
Additions	30,602	-
Depreciation charge for the year	(6,167)	-
	24,435	**-**

9. Deferred Exploration and Evaluation Expenditure		
Opening balance	190,767	-
Acquisition of exploration tenements	23,000,000	30
Exploration and evaluation expenditure incurred during the year	1,041,206	190,767
Closing balance	**24,231,973**	**190,797**

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

10. Trade and Other Payables		
Trade payables	228,434	-
Other payables	6,257	89,266
Accruals	22,667	18,500
	257,358	**107,766**

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

11. Issued Capital
(a) Issued and paid up capital

Issued and fully paid	**20,972,569**	**4,028,009**

(b) Movements in ordinary shares on issue

	2013 Number of shares	2013 $	2012 Number of shares	2012 $
Opening Balance	44,000,003	4,028,009	-	-
Issue of seed capital	-	-	21,000,003	400,133
Shares issued as part consideration for acquisition[1]	50,000,000	11,500,000	3,000,000	30
Shares issued to corporate advisers[2]	1,500,000	345,000	-	-
Shares issued by investment offering[3]	23,755,626	5,126,688	-	-
Shares issued by initial public offering	-	-	20,000,000	4,000,000
Transaction costs on share issue	-	(27,128)	-	(372,154)
	119,255,629	20,972,569	44,000,003	4,028,009

[1] 50,000,000 fully paid ordinary shares were issued to KCL Shareholders for the acquisition of a 100% interest in three Spanish potash projects at $0.23 per share.

[2] Pursuant to the Taylor Collison Limited Mandate, the Company engaged Taylor Collison Limited to provide corporate and financial services in connection with the Navarra project acquisition and agreed to pay a fee equal to:

i. that number of shares equating to 3.0% of the total number of shares issued to the KCL's Shareholders as consideration payable for the acquisition; and
ii. 4,000,000 options, exercisable at 20 cents each, on or before 1 November 2016. Refer to note 19 in relation to the value of the 4,000,000 options issued.

[3] 23,755,626 shares were issued to EMR Capital Pty Ltd for Tranche 1 funds of $5,126,688 at $0.20 per share for 20,000,000 shares and $0.30 per share for the remaining shares.

(c) Ordinary shares

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

(d) Capital risk management

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of $30,395,864 at 30 June 2013. The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 18 for further information on the Company's financial risk management policies.

(e) Share Options

As at 30 June 2013, there were 20,000,000 unissued ordinary shares under options. The details of the options at the date of this report are as follows:

Number	Exercisable at 30 June 2013	Exercise Price $	Expiry Date
7,000,000	3,500,000	$0.40	31-May-17
3,000,000	-	$0.30	31-Jan-17
4,000,000	4,000,000	$0.20	19-Oct-16
6,000,000	-	$0.20	1-Nov-16

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No options expired or were exercised during or since the year ended 30 June 2013.

	2013 $	2012 $
12. Reserves		
Share based payments reserve	1,734,327	78,635
Foreign exchange translation reserve	66,470	-
Performance share reserve	11,500,000	-
	13,300,797	**78,635**
Movements in Reserves		
Share based payments reserve		
Opening balance	78,635	-
Share based payments expense	1,655,692	78,635
Closing balance	**1,734,327**	**78,635**
Foreign exchange translation reserve		
Opening balance	-	-
Foreign exchange translation difference	66,470	-
Closing balance	**66,470**	**-**
Performance shares reserve		
Opening balance	-	-
Issue of performance shares	11,500,000	-
Closing balance	**11,500,000**	**-**

The share based payment reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their goods and services. Refer to note 19 for further details of the options issued during the financial year ended 30 June 2013.

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

The performance share reserve is used to record the value of 100,000,000 performance shares issued to KCL Shareholders for the acquisition of a 100% interest in the three Spanish potash projects at $0.23 per share based on the directors' assessment of the likelihood of the performance shares being converted to ordinary shares. Performance shares are to be converted to ordinary shares upon the successful completion of the following Project related milestones.

1. 50,000,000 Performance Shares will automatically convert upon delineation of a JORC Code (or equivalent) compliant Indicated Mineral Resource of:
   i. 150 million tonnes of potash at or above 13% K_2O by content; or
   ii. 125 million tonnes of potash at or above 14% K_2O by content; or
   iii. 100 million tonnes of potash at or above 15% K_2O by content; or
   iv. 75 million tonnes of potash at or above 17% K_2O by content; or
   v. 50 million tonnes of potash at or above 20% K_2O by content.

2. 50,000,000 Performance Shares will automatically convert upon the receipt, to the reasonable satisfaction of Highfield of all relevant approvals required to construct and operate a 500,000 tonne per annum potash mine on the Project (including all required Government approvals, water and energy contracts necessary to operate the mine).

	2013 $	2012 $
13. Accumulated losses		
Movements in accumulated losses were as follows:		
Opening balance	(388,694)	-
Loss for the year	(3,488,808)	(388,694)
Closing balance	**(3,877,502)**	**(388,694)**

14. Auditor's Remuneration		
The auditor of Highfield Resources Limited is HLB Mann Judd		
Amounts received or due and receivable for:		
- an audit or review of the financial report	26,500	18,500
Other services:		
- Preparation of Independent Accountant's Report	-	7,000
	26,500	**25,500**

15. Key Management Personnel Disclosures

(a) Remuneration of Key Management Personnel

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

Short term employee benefits	671,447	249,998
Share based payments	657,112	52,423
Total remuneration	**1,328,559**	**302,421**

(b) Shareholdings of Key Management Personnel

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

2013	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Derek Carter	-	-	-	5,510,752	5,510,752
Anthony Hall	40,001	-	-	-	40,001
Scott Funston	1,395,000	-	-	-	1,395,000
Pedro Rodriguez	-	-	-	5,510,752	5,510,752
Jonathan Murray	450,001	-	-	-	450,001
Richard Crookes	-	-	-	-	-
Mark Arundell	2,900,001	-	-	(2,900,001) [1]	-
Aaron Bertolatti	375,000	-	-	-	375,000

[1] Mark Arundell resigned as a director on 2 November 2012.

2012	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Jonathan Murray	-	-	-	450,001	450,001
Anthony Hall	-	-	-	40,001	40,001
Mark Arundell	-	-	-	2,900,001	2,900,001
Scott Funston	-	-	-	1,395,000	1,395,000
Aaron Bertolatti	-	-	-	375,000	375,000

All other changes refer to shares purchased or sold directly or indirectly by Key Management Personnel.

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

(c) Option holdings of Key Management Personnel

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

2013	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Derek Carter	-	1,500,000**	-	-	1,500,000	750,000	750,000
Anthony Hall	4,000,000	2,500,000**	-	-	6,500,000	1,250,000	5,250,000*
Scott Funston	-	1,000,000**	-	-	1,000,000	500,000	500,000
Pedro Rodriguez	-	1,500,000**	-	-	1,500,000	750,000	750,000
Jonathan Murray	-	250,000**	-	-	250,000	125,000	125,000
Richard Crookes	-	-	-	-	-	-	-
Mark Arundell	-	-	-	-	-	-	-
Aaron Bertolatti	-	250,000**	-	-	250,000	125,000	125,000

* Balance includes 4,000,000 options that are escrowed for a period of 24 months from the date of listing and/or are yet to vest and are therefore unable to be exercised.

** 50% of these options vested on 31 May 2013 and the remaining 50% will vest on 31 May 2014 and are therefore unable to be exercised.

2012	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Jonathan Murray	-	-	-	-	-	-	-
Anthony Hall	-	4,000,000	-	-	4,000,000	*-	4,000,000*
Mark Arundell	-	-	-	-	-	-	-
Scott Funston	-	-	-	-	-	-	-
Aaron Bertolatti	-	-	-	-	-	-	-

* Options are escrowed for a period of 24 months from the date of listing and/or are yet to vest and are therefore unable to be exercised.

There were no forfeitures and no options lapsed during the year ended 30 June 2013.

Options granted as part of remuneration have been valued using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option. Options granted under the plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 19.

(d) Performance Share holdings of Key Management Personnel

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

2013	Balance at the start of the year	Granted during the year as compensation	Other changes during the year	Balance at the end of the year
Derek Carter	-	-	11,021,504[1]	11,021,504
Anthony Hall	-	-	-	-
Scott Funston	-	-	-	-
Pedro Rodriguez	-	-	11,021,504[1]	11,021,504
Jonathan Murray	-	-	-	-
Richard Crookes	-	-	-	-
Mark Arundell	-	-	-	-
Aaron Bertolatti	-	-	-	-

[1] 5,510,752 Class A Performance Shares and 5,510,752 Class B Performance Shares. Refer to Note 25 (b) for terms.

(e) Other transactions with key management personnel

Mr. Anthony Hall charged the Company consulting fees of $260,000 (2012: $141,667) and reimbursements of expenses, at cost, paid on behalf of the company of $191,645 (2012: $49,335) were paid during the year. The consulting fee is included in Note 15(a) “Compensation of key management personnel”. $25,667 (2012: $33,333) was outstanding at year end.

Arundell Geoscience Pty Ltd, a company in which Mr. Mark Arundell is a director, charged the Company consulting fees of $29,500 (2012: $66,664) and reimbursements of expenses, at cost, paid on behalf of the company of $19,381 (2012: $9,610) were paid during the year. The consulting fee is included in Note 15(a) “Compensation of key management personnel”. $Nil (2012: $8,333) was outstanding at year end.

DNC Minerals Pty Ltd, a company in which Mr. Derek Carter is a director, charged the Company consulting fees of $43,333 (2012: $Nil) and reimbursements of expenses, at cost, paid on behalf of the company of $Nil (2012: $Nil) were paid during the year. The consulting fee is included in Note 15(a) “Compensation of key management personnel”. $12,833 (2012: $Nil) was outstanding at year end.

Geotrex Gestion Minera SL, a company in which Mr. Pedro Rodriguez is a director, charged the Company consulting fees of $205,697 (2012: $Nil) and reimbursements of expenses, at cost, paid on behalf of the company of $26,236 (2012: $Nil) were paid during the year. The consulting fee is included in Note 15(a) “Compensation of key management personnel”. $22,851 (2012: $Nil) was outstanding at year end.

Resourceful International Consulting Pty Ltd, a company in which Mr. Scott Funston is a director, charged the Company consulting fees of $20,000 for the year ended 30 June 2013 (2012: $25,000). This amount is included in note 15(a) "Compensation of key management personnel". $Nil (2012: $5,000) was outstanding at year end.

Garrison Capital Pty Ltd, a company in which Mr. Scott Funston is an officeholder and shareholder, provided the Company with a fully serviced office including administration, information technology support and corporate advisory services and charged $198,000 for the year ended 30 June 2013 for these services (2012: $120,000), plus reimbursement of payment for accounting services, courier and other minor expenses of $47,911 (2012: $22,749) were paid during the year. $42,571 (2012: $20,165) was outstanding at year end.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no other transactions with key management personnel for the year ended 30 June 2013.

16. Related party disclosures

(a) Key management personnel

For Director related party transactions please refer to Note 15 "Key management personnel disclosures".

(b) Subsidiaries

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

		Equity Holding	
Name of Entity	**Country of Incorporation**	**2013**	**2012**
KCL Resources Limited	Australia	100%	Nil%
Geocali SL	Spain	100%	Nil%

17. Loss per Share

	2013 $	2012 $
Loss used in calculating basic and dilutive EPS	(3,488,808)	(388,694)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	82,702,051	35,148,597
Effect of dilution:		
Share options		-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	82,702,051	35,148,597

There is no impact from 20,000,000 options outstanding at 30 June 2013 (2012: 6,000,000) on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

18. Financial Risk Management

Exposure to interest rate, liquidity and credit risk arises in the normal course of the Company's business. The Company does not hold or issue derivative financial instruments.

The Company uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

(a) Liquidity Risk

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

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

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables. As at 30 June 2013 all financial liabilities are contractually matured within 30 days.

(b) Interest Rate Risk

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

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

	2013 $	2012 $
Cash and cash equivalents	6,188,720	3,577,760

Interest rate sensitivity

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

Change in Basis Points	Effect on Post Tax Loss ($) Increase/(Decrease)		Effect on Equity including retained earnings ($) Increase/(Decrease)	
	2013	2012	2013	2012
Increase 100 basis points	61,887	35,578	61,887	35,578
Decrease 100 basis points	(61,887)	(35,578)	(61,887)	(35,578)

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

(c) Credit Risk Exposures

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

At 30 June 2013, the Company held cash at bank. Over 97% of the Company's cash was held in financial institutions with a rating from Standard & Poors of AA or above (long term). The Company has no past due or impaired debtors as at 30 June 2013.

(d) Fair Value

There were no financial assets or liabilities at 30 June 2013 requiring fair value estimation and disclosure (2012: Nil).

19. Share Based Payments

(a) Recognised share based payment transactions

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

	2013 $	2012 $
Employee share based payments	1,032,828	52,423
Share based payments to suppliers (Notes 11(b) and 19(c))	967,864	26,212
	2,000,692	78,635

(b) Employee share based payments

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

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

The table below summarises options granted during the year ended 30 June 2013:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
29/01/2013	31/01/2017	$0.30	-	3,000,000	-	-	3,000,000	-
28/06/2013	31/05/2017	$0.40	-	7,000,000	-	-	7,000,000	3,500,000
				10,000,000			10,000,000	3,500,000

The expense recognised in respect of the above options granted during the year was $1,032,828.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2013 included:

a) options are granted for no consideration;
b) expected life of options is four years;
c) share price at grant date ranged from $0.285 to $0.34;
d) expected volatility ranged from 78% to 100%;
e) expected dividend yield of Nil; and
f) a risk free interest rate ranging from 3.11% to 3.75%

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

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

The table below summarises options granted during the year ended 30 June 2012:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
01/11/2011	01/11/2016	$0.20	-	4,000,000	-	-	4,000,000	-

The expense recognised in respect of the above options granted during the prior year was $52,423.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2012 included:
a) options are granted for no consideration and vest subject to performance hurdles;
b) expected life of options is four years;
c) share price at grant date of $0.05;
d) expected volatility of 100%;
e) expected dividend yield of Nil;
f) a risk free interest rate from 4.89%; and
g) 4,000,000 options and are escrowed for a year of 24 months from the date of listing.

Performance Hurdles
Mr. Anthony Hall
Mr. Hall was granted options in the Company on the following specific terms:

1. 1 million options vesting upon the date that the Company successfully lists on the ASX.
2. 1 million options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.30 or higher.
3. 1 million options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.40 or higher.
4. 1 million options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.50 or higher.

(c) Share-based payment to suppliers
During the financial year ended 30 June 2013 the Company issued 4,000,000 options to Taylor Collison for corporate and financial services in connection with the Spanish project acquisitions. The issue of options was approved by the shareholders at the Annual General Meeting held on 5 October 2012. These options have been valued using the Black-Scholes option pricing model.

The table below summarises options granted to suppliers during the year ended 30 June 2013.

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
05/10/2012	19/10/2016	$0.20	-	4,000,000	-	-	4,000,000	4,000,000

The expense recognised in respect of the above options granted during the year was $622,864.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2013 included:
a) options are granted for no consideration;
b) expected life of options is four years;
c) share price at grant date of $0.23
d) expected volatility of 90%;
e) expected dividend yield of Nil; and
f) a risk free interest rate from 3.85%.

The table below summarises options granted to NEFCO Nominees Pty Ltd as consideration for ongoing advice and promotion of the Company both in Australia and overseas during the year ended 30 June 2012:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
01/11/2011	01/11/2016	$0.20	-	2,000,000	-	-	2,000,000	-

The fair value of the above options granted during the year was $26,212.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2012 included:

a) options are granted for no consideration and vest subject to performance hurdles;
b) expected life of options is four years;
c) share price at grant date of $0.05;
d) expected volatility of 100%;
e) expected dividend yield of Nil;
f) a risk free interest rate from 4.89%; and
g) 2,000,000 options and are escrowed for a year of 24 months from the date of listing.

Performance Hurdles
NEFCO Nominees Pty Ltd
NEFCO Nominees Pty Ltd was granted options in the Company on the following specific terms:

1. 500,000 options vesting upon the date that the Company successfully lists on the ASX.
2. 500,000 options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.30 or higher.
3. 500,000 options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.40 or higher.
4. 500,000 options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.50 or higher.

20. Commitments

Services and corporate advisory agreement
The Company entered a service agreement with Garrison Capital Pty Ltd for certain administrative services and office space and a corporate advisory both for a term of 2 years starting in November 2011. The Company is required to give 3 month's written notice to terminate the agreements.

	2013 $	2012 $
Payable:		
Within one year	45,000	180,000
After one year but not longer than 5 years	-	45,000
	45,000	**225,000**

Expenditure commitments
Highfield is entitled to earn a further 40% (for a total of 50%) interest in the McLarty Project ("Project") by spending a minimum of $500,000 on completing one exploration drill hole on the Project within two years of Highfield being admitted to the official list of ASX.

Following the First Earn-In Year, Highfield will be entitled to earn a further 30% (for a total of 80%) interest in the Project by completing and outlining an independently calculated and inferred JORC compliant resource of 100Mt at 20% potassium oxide and spending a minimum of $1,000,000 within four years of Highfield being admitted to the official list of ASX ("Second Earn-In Year").

Following the Second Earn-In Year, Broadway has the discretion to offer an exclusive option to the Company to acquire the remaining 20% interest in the Project. If Broadway does not grant this option to the Company, any further expenditure on the Project following the Second Earn-In Year will be contributed by the Company and Broadway jointly and equally.

21. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 30 June 2013 (2012:Nil).

22. Subsequent Events

On 28 June 2013, shareholder approval was received for an additional allotment of 16,244,374 ordinary shares at 30c to EMR Capital raising $4,873,312. The Company received the Tranche 2 proceeds and allotted these additional shares on 12 August 2013.

On 15 August 2013, Mr Owen Hegarty was appointed to the Board and Mr Jonathan Murray resigned as a director.

23. Dividends

No dividend was paid or declared by the Company in the year since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2013.

24. Parent Entity Information

The following details information related to the parent entity, Highfield Resources Limited, at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2013 $	2012 $
Current assets	6,066,332	3,634,919
Total assets	30,563,428	3,825,716
Current liabilities	(167,564)	(107,766)
Total liabilities	(167,564)	(107,766)
Net Assets	**30,395,864**	**3,717,950**
Issued capital	20,972,569	4,028,009
Reserves	13,234,327	78,635
Accumulated losses	(3,811,032)	(388,694)
	30,395,864	**3,717,950**
Loss of the parent entity	(3,422,338)	(388,694)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	**(3,422,338)**	**(388,694)**

25. Acquisition of Subsidiary – Sierra del Perdon, Javier and Pintano Potash Projects

In October 2012 the Company acquired a 100% shareholding in KCL Resources Limited (an unlisted Australian company) which, via its wholly owned subsidiary, Geoacali SL, holds a 100% interest in the Sierra del Perdon, Javier and Pintano Potash Projects.

The three potash projects are located in the Ebro potash producing basin in Northern Spain. The Sierra del Perdon potash project includes two former operating mines. The Javier and Pintano potash projects are located in two separate sub basins within 60 kilometres of the former operating mine. Highfield owns a 100% interest in the three projects.

The acquisition does not constitute a business combination and the cost of acquisition has been allocated to exploration and evaluation assets as disclosed in note 9. The consideration payable for the acquisition is as follows:

a) 50,000,000 ordinary shares; and

b) 100,000,000 performance shares to be converted to ordinary shares upon the successful completion of the following Project related milestones (50,000,000 ordinary shares per milestone).

1. 50,000,000 Performance Shares will automatically convert upon delineation of a JORC Code (or equivalent) compliant Indicated Mineral Resource of:
   i. 150 million tonnes of potash at or above 13% K2O by content; or
   ii. 125 million tonnes of potash at or above 14% K2O by content; or
   iii. 100 million tonnes of potash at or above 15% K2O by content; or
   iv. 75 million tonnes of potash at or above 17% K2O by content; or
   v. 50 million tonnes of potash at or above 20% K2O by content.
2. 50,000,000 Performance Shares will automatically convert upon the receipt, to the reasonable satisfaction of Highfield of all relevant approvals required to construct and operate a 500,000 tonne per annum potash mine on the Project (including all required Government approvals, water and energy contracts necessary to operate the mine).

Directors’ Declaration

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

1. In the opinion of the Directors:

   a) the financial statements and notes of Highfield Resources Limited for the year ended 30 June 2013 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the Company’s consolidated financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

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

3. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

On behalf of the Board

Anthony Hall
Managing Director

Perth, Western Australia
22 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Highfield Resources Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

Perth, Western Australia	**W M Clark**
22 August 2013	**Partner**

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HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Highfield Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Highfield Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

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

Auditor's responsibility

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

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

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

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

Independence

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

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Highfield Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

W M Clark
Partner

Perth, Western Australia
22 August 2013

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 1 August 2013.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	5	11
1,001 - 5,000	19	71,539
5,001 - 10,000	63	598,850
10,001 - 100,000	227	10,720,018
100,001 - and over	85	107,865,211
TOTAL	**399**	**119,255,629**

There were 5 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

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

Name	Number of shares	%
JP Morgan Nominees Australia Limited <Cash Income A/C>	23,892,658	20.035
Derek Carter & Carlsa Carter <The Salamanca Super Fund>	5,510,752	4.621
Raul Hidalgo Fernandez	5,510,752	4.621
Jose Manuel Prada Fernandez	5,510,752	4.621
Pedro Fernandez	5,510,752	4.621
Celtic Capital Pte Ltd <Trading 1 A/C>	3,600,000	3.019
Broadway Resources Pty Ltd	3,000,000	2.516
Vega Funds Pty Ltd <The Viva A/C>	2,225,000	1.866
Mr Timothy James Flavel <The Flavel Investment A/C>	2,225,000	1.866
Mitchell Grass Holding Singapore Pte Ltd	2,225,000	1.866
Yoix Pty Ltd	2,150,538	1.803
Richard Hillis <The Bm Hillis Family A/C>	2,150,538	1.803
Terry Kallis <Kallis Family A/C>	2,150,538	1.803
Simon Holford	2,150,538	1.803
Donald Stephens <D Stephens Family A/C No 2>	2,150,538	1.803
Dorica Nominees Pty Ltd <Super Fund>	2,150,538	1.803
Greenside Holdings Pty Ltd	2,150,538	1.803
Wootoona Investments Pty Ltd	2,150,538	1.803
Sapphire Chip Pty Ltd	2,150,538	1.803
Graham Ascough	2,150,537	1.803
Total	**80,716,045**	**67.682**

Unquoted Equity Securities

Shares

Class	Number	Holders with more than 20%
Fully paid ordinary shares escrowed for a year of 24 months from the date of listing.	19,600,000	-

Options

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at $0.20 on or before 1 November 2016	6,000,000	- NEFCO Nominees Pty Ltd 2,000,000 options - Anthony Hall 4,000,000 options

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

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

Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 30 June 2013.

ASX Additional Information

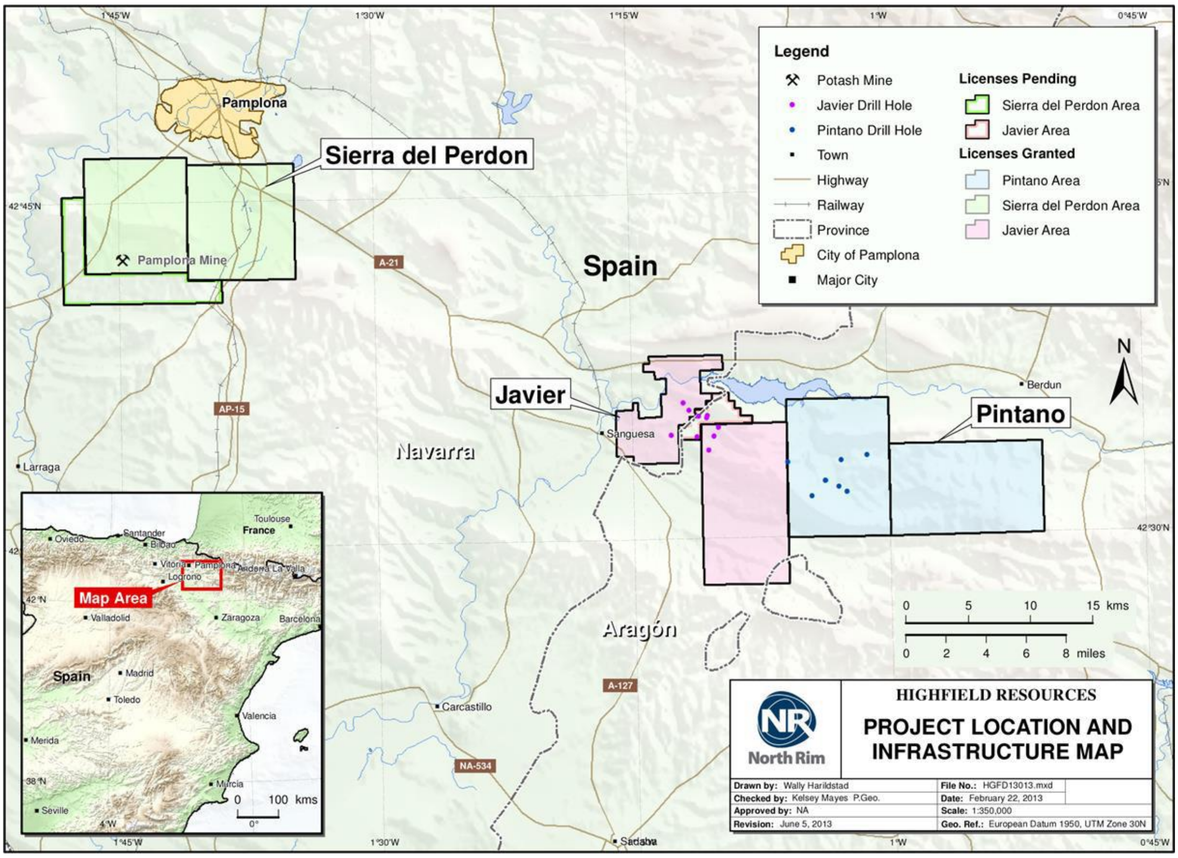
TENEMENT TABLE

SPAIN - Javier, Pintano and Sierra del Perdón Projects

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

Region	Tenement Name	Permit Type	Application	Granted	Permit Ref	Area (km^2)	Holder	Structure
Navarra	Quiñones	Investigation	19/07/2011	7/08/2012	35760	33.3	Geoalcali SL	100%
Navarra	Adiós	Investigation	19/07/2011	7/08/2012	35770	75.6	Geoalcali SL	100%
Navarra	Ampliación Adiós	Investigation	26/10/2012	Pending	35880	40.9	Geoalcali SL	100%
Navarra	Goyo	Investigation	19/07/2011	24/12/2012	35780	39.2	Geoalcali SL	100%
Aragon	Molineras	Exploration	20/07/2011	22/11/2011	3495	90.7	Geoalcali SL	100%
Aragon	Molineras 1	Investigation	20/11/2012	Pending	3495/10	18.2	Geoalcali SL	100%
Aragon	Molineras 2	Investigation	19/02/2013	Pending	3495/20	16.8	Geoalcali SL	100%
Aragon	Muga	Exploration	13/10/2011	5/06/2012	3500	88.2	Geoalcali SL	100%
Aragon	Muga	Investigation	28/05/2013	Pending	3500	20.4	Geoalcali SL	100%
Aragon	Puntarrón	Exploration	13/12/2012	27/05/2013	3509	90.7	Geoalcali SL	100%
Aragon	Fronterizo	Investigation	21/06/2012	Pending	3502	9.8	Geoalcali SL	100%

Location of Highfield's Javier, Pintano and Sierra del Perdón projects in Northern Spain.



AUSTRALIA - McLarty Potash Project

The McLarty Potash Project is located in a remote and uninhabited portion of the northern Great Sandy Desert of the southern Kimberley region about 1700km north of Perth, Western Australia.

Tenement	Application date	Grant Date	Area (km^2)	Holder	Structure
E4/1934	4th Aug. 2009	7th Feb. 2011	609	Broadway Resources Pty Ltd	10% (earning up to 80%)
E4/1974	27th Oct. 2009	1st Mar. 2011	648	Broadway Resources Pty Ltd	10% (earning up to 80%)
E45/3546	28th Oct. 2009	5th Sep. 2011	647	Broadway Resources Pty Ltd	10% (earning up to 80%)