



ABN 51 153 918 257

Annual Report

30 June 2012

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CORPORATE DIRECTORY

Directors

Mr. Jonathan Murray (Non-Executive Chairman)

Mr. Anthony Hall (Managing Director)

Mr. Mark Arundell (Exploration Director)

Company Secretaries

Mr. Scott Funston

Mr. Aaron Bertolatti

Registered Office

Level 1

33 Richardson Street

WEST PERTH WA 6005

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Share Registry

Advanced Share Registry Pty Ltd

150 Stirling Highway

NEDLANDS WA 6009

Telephone: +61 8 9389 8033

Facsimile: +61 8 9389 7871

Auditors

HLB Mann Judd

Level 4, 130 Stirling Street

PERTH WA 6000

Telephone: +61 8 9227 7500

Facsimile: +61 8 9227 7533

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 for the period ended 30 June 2012.

DIRECTORS

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

Mr. Jonathan Murray (appointed 25 October 2011)

Non-Executive Chairman

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, Kalgoorlie Mining Company Limited and Peak Resources Limited.

Mr. Anthony Hall (appointed 25 October 2011)

Managing Director

Mr. Hall has more than 15 years commercial experience. Prior to his appointment as Managing Director he was Head of Strategy and Business Development for 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. Mark Arundell (appointed 25 October 2011)

Exploration Director

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.

Mr. Arundell has a Masters of Economic Geology from the University of Tasmania, an honours degree in Geology from the University of Melbourne and a Graduate Certificate in Management from Deakin University. Mr. Arundell is a Member of the Australian Institute of Geoscientists, the Society of Economic Geologists and is a Fellow of the Association of Applied Geochemists. Mr. Arundell is currently a director of ASX listed Copper Range Limited and Managing Director of ASX listed Oakland Resources Limited.

COMPANY SECRETARIES

Mr. Scott Funston (appointed 25 October 2011)

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 was previously company secretary of ASX listed Overland Resources Limited, Laguna Resources NL and Coventry Resources Limited. Mr. Funston is currently a Director of ASX listed Avanco Resources Limited and Lindian Resources Limited. Mr. Funston is also company secretary of Signature Metals Limited, Lindian Resources Limited, Oakland Resources Limited and Avanco Resources Limited.

Mr. Aaron Bertolatti (appointed 25 October 2011)

Mr. Bertolatti is a qualified Chartered Accountant and Company Secretary with over 8 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, Copper Range Limited, Strzelecki Metals Limited and Haranga Resources Limited.

Directors' Report

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	Options – exercisable at \$0.20 each on or before 1-Nov-16
Jonathan Murray	450,001	-
Anthony Hall	40,001	4,000,000
Mark Arundell	2,900,001	-

RESULTS OF OPERATIONS

The Company's net loss after taxation attributable to the members of Highfield Resources for the period to 30 June 2012 was \$388,694.

DIVIDENDS

No dividend was paid or declared by the Company during the period 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 period was mineral exploration and examination of new resource opportunities.

REVIEW OF OPERATIONS

Highfield Resources is an Australian based potash exploration and discovery company listed on the Australian Securities Exchange (ASX).

Projects

McLarty Potash Project

The McLarty Potash project comprises three contiguous exploration tenements located in the south Kimberley region of northern Western Australia. It is located in the Canning Basin which contains vast accumulations of evaporite (salt) sediments considered prospective for economic potash mineralisation. The Project is centred on the McLarty Sub-basin where the prospective Mallowa Salt unit is interpreted to be approximately 640m deep.

Two robust high ranking potash targets have been identified for drill testing.

Drilling is subject to obtaining necessary heritage approvals from the Ngurrara Native Title Claimants. The Ngurrara people have rights over the land on which the tenements are located. Highfield presented its proposed work program to representatives of the Ngurrara people in April of this year in Broome.

The on-site heritage clearance activities concluded on 1 August 2012. It is the expectation of the Board that the heritage clearance should be provided in the month of August 2012. This will allow the Company to lodge its Program of Works (PoW) with the Western Australian Department of Mines and Petroleum. Approval of the PoW will enable drilling activities to commence.

As an important risk mitigation strategy, the approach of the Company has been to engage local contractors with significant local experience. Additionally, the Company executive is substantially involved in all processes and negotiation to ensure relevant stakeholders have direct access. This involvement extends to direct negotiation of contracts with contractors, presenting and negotiating directly with Traditional Owners, participating in heritage clearance activities and generally being visible in the community.

Navarra Potash Project

On 27 June 2012 the Company announced it had agreed to acquire a 100% interest in the Navarra Potash Project (Project), subject to due diligence, ASX and shareholder approval.

The Project comprises five tenements covering 430kms². The tenements are located in the Ebro potash producing basin in Northern Spain. A program aimed at securing a maiden JORC resource is the Company's initial aim.

The tenements in the Navarra sub-basin cover the Subiza Mine which was a significant potash producer in Spain between 1972 and 1996. In its latter years of operation the mine was producing around 200,000 tonnes of potash per annum. The mine was closed in 1997 when potash prices were US\$110 per tonne. Potash prices are presently around US\$470 per tonne.

In addition, the Company has been able to secure the services of a strong existing in-country management team to ensure project continuity.

Directors' Report

The material terms of the agreement to acquire the Project can be summarised as follows:

1. Subject to the satisfactory completion by the Company of due diligence, ASX and shareholder approval, the Company will issue:
 - a. 50,000,000 ordinary shares as consideration for 100% of the Project; 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).
2. The vendor may place two directors on the Board of the Company.

The vendor's present intention is to place Derek Carter and Pedro Rodriguez on the Board. Both gentlemen have significant experience in mineral exploration.

Corporate

As reported to shareholders the Company has been evaluating a number of opportunities during the past six months. The acquisition of the Navarra Potash Project has resulted from these activities and it is the intention of the Directors to focus on both the McLarty Potash Project and the Navarra Potash Project over the coming year.

As noted above, the acquisition of the Navarra Potash Project will see two additional Directors appointed to the Board. Both proposed Directors have significant mineral exploration experience and will be positive additions to the Board.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Highfield Resources was incorporated in Australia on 25 October 2011 for the purpose of acquiring and developing potash projects. The Company lodged a Prospectus with ASIC in December 2011, offering 20,000,000 Shares at an issue price of 20 cents each to raise \$4,000,000. Highfield Resources successfully listed on the Australian Securities Exchange on 7 February 2012.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 27 June 2012, the Company announced that it had entered into an agreement (subject to due diligence, ASX and shareholder approval) to acquire a 100% interest in the Navarra Potash Project located in Northern Spain.

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. 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 6,000,000 unissued ordinary shares under options (6,000,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
6,000,000	\$0.20	1 November 2016

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 period ended 30 June 2012.

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 period, in addition to regular Board discussions, the number of meetings of Directors held during the period and the number of meetings attended by each Director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Jonathan Murray	2	2
Anthony Hall	2	2
Mark Arundell	2	2

Directors' Report

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 period.

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 period, 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 28 of the annual report.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in note 12 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. Jonathan Murray	Chairman
Mr. Anthony Hall	Managing Director
Mr. Mark Arundell	Exploration Director
Mr. Scott Funston	Company Secretary
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 periodic 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 13.

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 2012	2012
Loss per share (cents)	(1.11)
Share Price	\$0.19

Directors' Report

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 period ended 30 June 2012 are as follows:

2012	Short term			Options	Post employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$	Superannuation \$	Prescribed Benefits \$		
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	

There were no other executive officers of the Company during the financial period ended 30 June 2012.

Grant of Options to Pursuant to Employment Contract

Mr. Anthony Hall

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

- 1 million options vesting upon the date that the Company successfully lists on the ASX.
- 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.
- 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.
- 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.

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

2012	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	1,000,000	25%	\$24,086

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

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 period of 24 months unless extended by both parties. Under the agreement Mr. Hall is to be paid an annual fee of \$200,000. Mr. Hall may terminate the agreement at any time by giving three months notice in writing, or such shorter period 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 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 Exploration Director, Mr. Mark Arundell is employed under a consulting services agreement, which commenced on 1 November 2011 for a period of 24 months unless extended by both parties. Under the agreement Mr. Arundell is to be paid an annual fee of \$100,000. Mr. Arundell may terminate the agreement at any time by giving three months notice in writing, or such shorter period 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. Arundell 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. Arundell 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 period ended 30 June 2012.

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
14 August 2012

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 period. 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
Jonathan Murray	10 months
Anthony Hall	10 months
Mark Arundell	10 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.

Corporate Governance Statement

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	-	-
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 period 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*, 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* 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 period 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.

Statement of Comprehensive Income *for the period ended 30 June 2012*

	Note	30 June 2012 \$
Continuing Operations		
Interest received		101,685
Listing and share registry expenses		(3,447)
Professional and consultants' fees	3	(228,908)
Service administration fees		(80,000)
Other expenses		(35,881)
Share based payments expense		(78,635)
Travel and accommodation		(63,508)
Loss before income tax		(388,694)
Income tax expense		-
Other comprehensive income		-
Total comprehensive loss for the period		(388,694)
 Loss per share		
Basic loss per share (cents)		(1.11)
Diluted loss per share (cents)		(1.11)

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

Statement of Financial Position *as at 30 June 2012*

	Note	30 June 2012 \$
Current Assets		
Cash and cash equivalents	5	3,557,760
Other receivables	6	77,159
Total Current Assets		3,634,919
Non-Current Assets		
Deferred exploration & evaluation expenditure	7	190,797
Total Non-Current Assets		190,797
Total Assets		3,825,716
Current Liabilities		
Trade and other payables	8	107,766
Total Current Liabilities		107,766
Total Liabilities		107,766
Net Assets		3,717,950
Equity		
Issued capital	9	4,028,009
Reserves	10	78,635
Accumulated losses	11	(388,694)
Total Equity		3,717,950

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

Statement of Changes in Equity for the period ended 30 June 2012

	Issued capital \$	Accumulated losses \$	Reserves \$	Total \$
Balance at 25 October 2011	-	-	-	-
Total comprehensive income for the period				
Loss for the period	-	(388,694)	-	(388,694)
Total comprehensive income for the period	-	(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

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

Statement of Cash Flows *for the period ended 30 June 2012*

		30 June 2012
		\$
Cash flows from operating activities		
Payments to suppliers and employees		(333,060)
Interest received		46,664
Net cash flows used in operating activities	5	(286,396)
Cash flows from investing activities		
Payments for exploration expenditure and project acquisition		(190,767)
Net cash used in investing activities		(190,767)
Cash flows from financing activities		
Proceeds from issue of shares		4,400,133
Payments for share issue costs		(365,210)
Net cash provided by financing activities		4,034,923
Net increase in cash and cash equivalents		3,557,760
Cash and cash equivalents at the end of the period	5	3,557,760

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

Highfield Resources Limited

Notes to the Financial Statements *for the period ended 30 June 2012*

1. Corporate Information

The financial report of Highfield Resources Limited ("Highfield" or "the Company") for the period ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 13 August 2012. 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.

Comparatives

The Company was incorporated on 25 October 2011 and listed on the ASX on 7 February 2012; therefore there is no comparative data for the period ended 30 June 2012.

(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) Segment Reporting

For management purposes, the Company is organised into one main operating segment, which involves exploration for Potash. 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.

Highfield Resources Limited

Notes to the Financial Statements for the period ended 30 June 2012

(d) 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 period ended 30 June 2012, 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 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	The Company has not yet determined the impact on the Company's financial statements.	1 July 2012
AASB 9	Financial Instruments	<p>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.</p> <p>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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▪ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▪ The remaining change is presented in profit or loss <p>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.</p> <p>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.</p>	The Company has not yet determined the impact on the Company's financial statements.	1 July 2013
AASB 13	Fair Value Measurement	<p>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.</p> <p>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.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	The Company has not yet determined the impact on the Company's financial statements.	1 July 2013

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

Highfield Resources Limited

Notes to the Financial Statements *for the period ended 30 June 2012*

(e) Changes in accounting policies and disclosures

In the period ended 30 June 2012, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

(f) Foreign Currency Presentation

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

(g) Exploration expenditure

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

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and 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.

(h) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period'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 period. 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 periods 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:

Highfield Resources Limited

Notes to the Financial Statements *for the period ended 30 June 2012*

- 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.

(i) 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.

(j) 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 periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) 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.

Highfield Resources Limited

Notes to the Financial Statements for the period ended 30 June 2012

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.

(l) 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.

(m) 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 period.

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.

(n) 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.

(o) 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.

(p) 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 period 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.

(q) 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 17.

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').

Highfield Resources Limited

Notes to the Financial Statements for the period ended 30 June 2012

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period 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 period 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 period represents the movement in cumulative expense recognised at the beginning and end of the period.

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 15).

(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 period 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.

(r) **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 period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 17.

	30 June 2012
	\$
3. Expenses	
Professional and consultants fees	
Consulting fees	(131,715)
Corporate advisory fees	(40,000)
Directors' fees	(16,667)
Other	(40,526)
	<u>(228,908)</u>
4. Income Tax	
(a) Income tax expense	
Major component of tax expense for the period:	
Current tax	-
Deferred tax	-
	<u>-</u>

Highfield Resources Limited

Notes to the Financial Statements for the period ended 30 June 2012

30 June 2012

\$

(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:

Loss from continuing operations before income tax expense	(388,694)
Tax at the Australian rate of 30%	(116,608)
Share based payments	23,591
Income tax benefit not brought to account	93,017
Income tax expense	-

(c) Deferred tax

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

Liabilities

Total exploration and evaluation expenditure	57,230
Offset by deferred tax assets	(57,230)
Deferred tax liability recognised	-

Assets

Losses available to offset against future taxable income	167,027
Share issue costs deductible over five years	89,317
Accrued expenses	5,550
Deferred tax assets offset against deferred tax liabilities	(57,230)
Net deferred tax asset not recognised	204,664

(d) Unused tax losses

Unused tax losses	556,757
Potential tax benefit not recognised at 30%	167,027

The benefit for tax losses will only be obtained if:

- 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
- the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia and
- 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

Cash comprises of:

Cash at bank	3,557,760
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Reconciliation of operating loss after tax to net cash flow from operations

Loss after tax	(388,694)
<i>Non cash items</i>	
Share based payments	78,635
Costs of Issue	(6,944)
<i>Change in assets and liabilities</i>	
Increase in trade and other receivables	(77,159)
Increase in trade and other payables	107,766
Net cash flow used in operating activities	(286,396)

6. Other Receivables – Current

GST receivable	22,138
Other	55,021
	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. Deferred Exploration and Evaluation Expenditure

Opening balance	-
Acquisition of exploration tenements	30
Exploration and evaluation expenditure incurred during the period	190,767
Closing balance	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.

Highfield Resources Limited

Notes to the Financial Statements for the period ended 30 June 2012

	30 June 2012 \$
8. Trade and Other Payables	
Other payables	89,266
Accruals	18,500
	<u>107,766</u>

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.

9. Issued Capital

(a) Issued and paid up capital

Issued and fully paid	<u>4,028,009</u>
-----------------------	------------------

	No.	\$
(b) Movements in ordinary shares on issue		
Opening balance	-	-
Issue of seed capital	21,000,003	400,133
Shares issued as part consideration for acquisition ¹	3,000,000	30
Shares issued by initial public offering	20,000,000	4,000,000
Costs of issue	-	(372,154)
Closing balance	<u>44,000,003</u>	<u>4,028,009</u>

¹ 3,000,000 shares were issued to Broadway Resources Pty Ltd for the acquisition of a 10% interest in the McLarty Project at \$0.00001 per share.

(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 \$3,717,950 at 30 June 2012. 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 period end and not subject to any externally imposed capital requirements. Refer to note 15 for further information on the Company's financial risk management policies.

(e) Share Options

As at the date of this report, there were 6,000,000 unissued ordinary shares under options (6,000,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
6,000,000	\$0.20	1 November 2016

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 period ended 30 June 2012.

	30 June 2012 \$
10. Reserves	
Share based payments reserve	78,635
	<u>78,635</u>
Movements in Reserves	
<i>Share based payments reserve</i>	
Opening balance	-
Share based payments expense	78,635
Closing balance	<u>78,635</u>

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 17 for further details of the options issued during the financial period ended 30 June 2012.

11. Accumulated losses

Movements in accumulated losses were as follows:

Opening balance	-
Loss for the period	(388,694)
Closing balance	<u>(388,694)</u>

Highfield Resources Limited
Notes to the Financial Statements for the period ended 30 June 2012

30 June 2012
 \$

12. 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	18,500
Other services:	
- Preparation of Independent Accountant's Report	7,000
	<u>25,500</u>

13. 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 period are as follows:

Short term employee benefits	249,998
Share based payments	52,423
Total remuneration	<u>302,421</u>

(b) Shareholdings of Key Management Personnel

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

2012	Balance at the start of the period	Granted during the period as compensation	On exercise of share options	Other changes during the period	Balance at the end of the period
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 period by each Director of Highfield Resources Limited and specified executive of the group, including their personally related parties, are set out below:

2012	Balance at the start of the period	Granted during the period as compensation	Exercised during the period	Other changes during the period	Balance at the end of the period	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 period ended 30 June 2012.

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 17.

(d) Other transactions with key management personnel

Mr. Anthony Hall charged the Company consulting fees of \$141,667 and reimbursements of expenses, at cost, paid on behalf of the company of \$49,335 were paid during the year. The consulting fee is included in Note 13(a) "Compensation of key management personnel". \$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 \$66,664 and reimbursements of expenses, at cost, paid on behalf of the company of \$9,610 were paid during the year. The consulting fee is included in Note 13(a) "Compensation of key management personnel". \$8,333 was outstanding at year end.

Resourceful International Consulting Pty Ltd, a company in which Mr. Funston is a director, charged the Company consulting fees of \$25,000 for the year ended 30 June 2012. This amount is included in note 13(a) "Compensation of key management personnel". \$5,000 was outstanding at year end.

Highfield Resources Limited

Notes to the Financial Statements for the period ended 30 June 2012

Garrison Capital Pty Ltd, a company in which Mr. 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 \$120,000 for the year ended 30 June 2012 for these services, plus reimbursement of payment for accounting services, courier and other minor expenses of \$22,749 were paid during the year. \$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 2012.

14. Related party disclosures

For Director related party transactions please refer to Note 13 "Key management personnel disclosures".

There were no other related party disclosures for the year ended 30 June 2012.

15. Loss per Share

Loss used in calculating basic and dilutive EPS

30 June 2012
\$

(388,694)

Weighted average number of ordinary shares used in calculating basic loss per share:

Number of Shares

35,148,597

Effect of dilution:

Share options

Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:

-

35,148,597

There is no impact from 6,000,000 options outstanding at 30 June 2012 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.

16. 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. We expect that, absent a material adverse change in a combination of our sources of liquidity, present levels of liquidity along with future capital raising will be adequate to meet our expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables. As at 30 June 2012 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.

30 June 2012
\$

Cash and cash equivalents

3,577,760

Highfield Resources Limited

Notes to the Financial Statements for the period ended 30 June 2012

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.

Judgements of reasonably possible movements	Effect on Annual Post Tax Losses Increase/(Decrease)
Increase 100 basis points	(35,578)
Decrease 100 basis points	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 an 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 2012, the Company held cash at bank. These were held with financial institution 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 2012.

(d) Fair Value

There were no financial assets or liabilities at 30 June 2012 requiring fair value estimation and disclosure.

17. 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 period were as follows:

	30 June 2012
	\$
Employee share based payments	<u>52,423</u>

(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 period 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 period ended 30 June 2012:

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

The fair value of options granted during the period was \$52,423.

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

- options are granted for no consideration and vest subject to performance hurdles;
- expected life of options is four years;
- share price at grant date of \$0.05;
- expected volatility of 100%;
- expected dividend yield of Nil;
- a discount rate ranging from 50% to 90%;
- a risk free interest rate from 4.89%; and
- 4,000,000 options and are escrowed for a period 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 million options vesting upon the date that the Company successfully lists on the ASX.
- 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.
- 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.
- 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.

Highfield Resources Limited

Notes to the Financial Statements for the period ended 30 June 2012

(c) Share-based payment to suppliers

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

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

The fair value of options granted during the period was \$26,392.

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

- options are granted for no consideration and vest subject to performance hurdles;
- expected life of options is four years;
- share price at grant date of \$0.05;
- expected volatility of 100%;
- expected dividend yield of Nil;
- a discount rate ranging from 50% to 90%;
- a risk free interest rate from 4.89%; and
- 2,000,000 options and are escrowed for a period 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:

- 500,000 options vesting upon the date that the Company successfully lists on the ASX.
- 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.
- 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.
- 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.

18. 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.

30 June 2012
\$

Payable:

Within one year	180,000
After one year but not longer than 5 years	45,000
	<u>225,000</u>

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. If the drill hole is not completed during this period, Highfield will immediately transfer all of its 10% interest in the Project back to Broadway Resources Pty Ltd ("Broadway") and Broadway will retain all shares issued and any monies paid in consideration for the 10% interest ("First Earn-In Period").

Following the First Earn-In Period, 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 Period").

Following the Second Earn-In Period, 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 Period will be contributed by the Company and Broadway jointly and equally.

19. Contingent Assets and Liabilities

There are no known contingent assets or liabilities.

20. Subsequent Events

On 27 June 2012, the Company announced that it had entered into an agreement (subject to due diligence, ASX and shareholder approval) to acquire a 100% interest in the Navarra Potash Project located in Northern Spain.

21. Dividends

No dividend was paid or declared by the Company in the period since the end of the financial period 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 period ended 30 June 2012.

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 period ended 30 June 2012 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the period 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 period ended 30 June 2012.

On behalf of the Board



Anthony Hall
Managing Director

Perth, Western Australia
14 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Highfield Resources Limited for the period ended 30 June 2012, 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.



Perth, Western Australia
14 August 2012

W M CLARK
Partner, HLB Mann Judd

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, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Highfield Resources Limited.

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 of Highfield Resources Limited 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 the company's 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*.

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Highfield Resources Limited for the financial period ended 30 June 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

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 entity's financial position as at 30 June 2012 and of its performance for the period 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 period ended 30 June 2012. 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 period ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



HLB MANN JUDD
Chartered Accountants



W M CLARK
Partner

Perth, Western Australia
14 August 2012

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 2012.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	4	4
1,001 - 5,000	1	5,000
5,001 - 10,000	81	810,000
10,001 - 100,000	208	11,016,000
100,001 - and over	55	32,168,999
TOTAL	349	44,000,003

There were 4 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	%
Celtic Capital Pte Ltd <Trading 1 A/C>	3,600,000	8.18
Broadway Resources Pty Ltd	3,000,000	6.82
Vega Funds Pty Ltd <The Viva A/C>	2,300,000	5.23
Mitchell Grass Holdings Singapore Pte Ltd	2,300,000	5.23
Mr Timothy James Flavel <The Flavel Investment A/C>	2,225,000	5.06
Jodama Pty Ltd	2,100,000	4.77
Taycol Nominees Pty Ltd	1,350,000	3.07
Mr Francis Scott Funston + Mrs Victoria Alexis Suzanne Funston <The Funston Investment A/C>	1,150,000	2.61
Ziziphus Pty Ltd	1,000,000	2.27
Nefco Nominees Pty Ltd	703,000	1.6
Nefco Nominees Pty Ltd	600,000	1.36
Mrs Kathleen Mary Eddington <Kathie Eddington No2 S/F A/C>	555,000	1.26
Mr George Lkhagvadorj Tumur	500,000	1.14
Ms Christina Cecon	500,000	1.14
Mr Daniel Eddington + Mrs Julie Eddington <DJ Holdings A/C 7>	500,000	1.14
E & E Hall Pty Ltd <Superannuation Fund A/C>	500,000	1.14
Mr Sebastian Philip Merriman	500,000	1.14
Celtic Capital Pty Ltd <The Celtic Capital A/C>	468,000	1.06
Brave Warrior Holdings Ltd	467,999	1.06
Ziziphus Pty Ltd	440,000	0.99
Total	24,758,999	56.27

Unquoted Equity Securities

Shares

Class	Number of securities	Holders with more than 20%
Fully paid ordinary shares escrowed for a period of 24 months from the date of listing.	19,600,000	-
Fully paid ordinary shares escrowed for a period of 12 months from their date of issue.	2,400,000	-

Options

Class	Number of securities	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 period ended 30 June 2012.

ASX Additional Information

Tenement Table

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 (km2)	Holder	Structure
E4/1934	4 th Aug. 2009	7 th Feb. 2011	609	Broadway Resources Pty Ltd	10% (earning up to 80%)
E4/1974	27 th Oct. 2009	1 st Mar. 2011	648	Broadway Resources Pty Ltd	10% (earning up to 80%)
E45/3546	28 th Oct. 2009	5 th Sep. 2011	647.4	Broadway Resources Pty Ltd	10% (earning up to 80%)