Geoalcali
a Highfield Resources Company

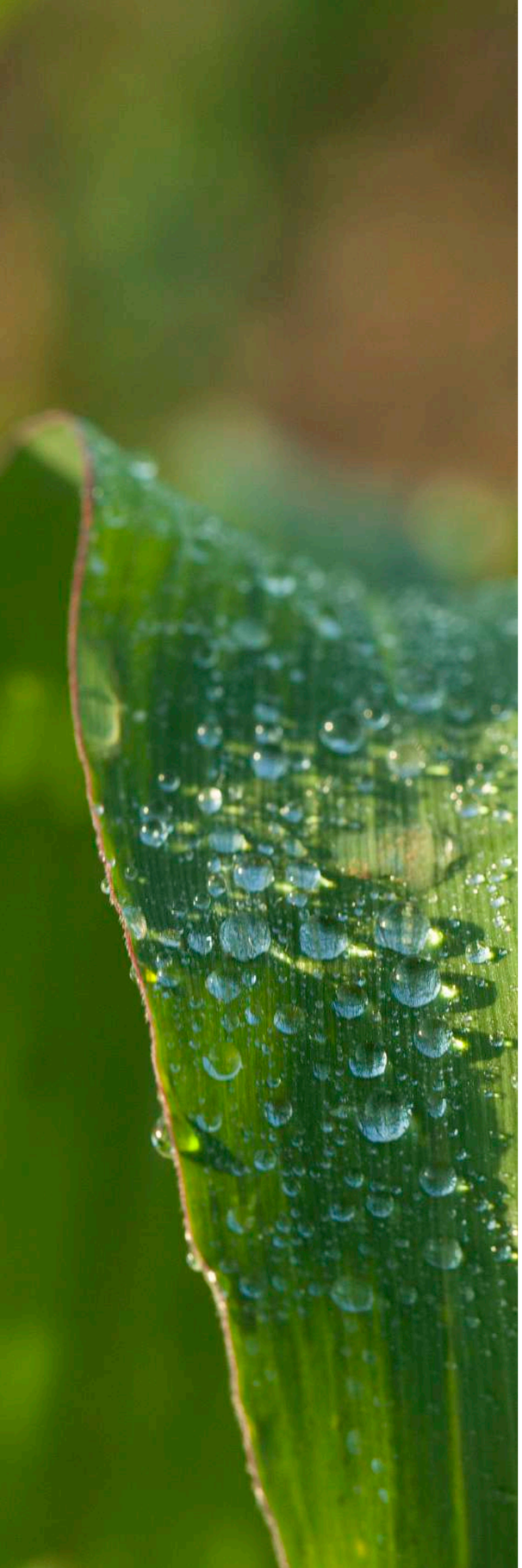
Highfield Resources

Sustainability Report

2016

Geoalcali and Highfield Resources

www.geoalcali.com
www.highfieldresources.com.au



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1. A message from our CEO

I am pleased to present the Company's second Sustainability Report analysing our performance from July 2015 to June 2016. This report is a presentation of the sustainable activities of Highfield Resources Limited and its subsidiary, Geoalcali SL ("the Group").

We are committed to demonstrate to all our stakeholders how we are integrating transparent reporting on sustainability matters into all of our projects and operations. Currently our focus remains on the Muga mine, our flagship potash project.

The Group's overriding focus for all of our activities remain the four pillars of safety; best environmental performance; social development of our neighbouring communities; and spreading the economic benefits to the greater region. In an increasingly integrated global world, the international community faces major challenges.

As described in the Vision 2050 Report by the World Business Council for Sustainable Development, companies must seek solutions to common problems, such as improvements in bio capacity and ecosystem management. It is largely accepted that energy through biofuels production must increase to meet the demands of a growing population, which according to the FAO (The Food and Agriculture Organization) will exceed 9 billion in 2050.

To achieve this there needs to be a focus on the optimisation of agriculture output to support biofuel generation. Therefore, appropriate management of land is crucial to our sustainable development. Potash as a fertiliser, is a key element to address this imminent reality.

Fertilisers play a vital role as they contribute to improving the efficiency of land, thus reducing the consumption of water required, enhancing resistance to pests and other diseases and can be framed within the agricultural techniques necessary to meet these new challenges. It is forecast that net investment in agriculture will double by 2050 to reach USD 83 Billion a year.

From a local perspective, it should be noted that Spain, France and Portugal all import potash. Within the Horizon 2020 Plan, the European Union seeks to promote projects that encourage the use of own resources in exchange for export, thus contributing to the concept of a circular economy to minimise costs and impacts associated with transportation of local resources.

Another challenge is to address unemployment rates, a global problem that many countries face.

The critical situation reflected in the WESO 2016 report by the ILO (International Labour Organization) indicates that organisations should focus their efforts on creating quality work, as dictated by the United Nations sustainable development goals. It should be noted that Spain, where our projects are located, has one of the highest unemployment rates compared to other countries in the European Union, reaching 21% in 2015.

It is anticipated that our flagship potash project Muga Mine will generate approximately 800 direct jobs and 3,500 indirect jobs during the 47 years of the mine life.

The development of the Muga project will benefit the population in a recognized depressed area where young people transit to metropoles because of the lack of job opportunities. In addition there is an aging population that has increasingly high levels of unemployment. One of our important stakeholders, Mr Felix Bariain the President of the farmers union of Navarra (UAGN), recently asked at a public forum, "What policy is more social than fixing the population in towns?" alluding to the importance of sustainability (environmental, social and economic) investment in the primary sector and always complying with environmental legal requirements.

The Company is working to develop a project that not only complies with current legislation in Spain and Europe, but serves as a benchmark for a sustainable development.

This is why, the Company, since its inception, has focused on integrating a balanced combination of best practice social, environmental and economic principles. The Geoalcali Foundation ("Foundation"), created in 2014, has contributed to various initiatives in a respectful way, in order to contribute to the social and economic development of the region.

Anthony Hall
CEO
** Mr Anthony Hall resigned as CEO on 31 August 2016*

"We are developing significant potash projects that are a balanced combination of best practice technical, social, environmental and economic principles".

About Us

Potash Muga Mine

Other Projects

2. About us

Geoalcali is the Spanish subsidiary of Highfield Resources, an ASX-listed potash company with five 100%-owned projects located in Spain.

Highfield's Muga, Vipasca, Pintano, Izaga and Sierra del Perdón potash projects are located in the Ebro potash producing basin in Northern Spain, covering a project area of more than 550km2. The Sierra del Perdón project includes two former operating potash mines.

The Company completed a Definitive Feasibility Study ("DFS") for its flagship Muga Project in March 2015, which was optimised in November 2015 to enhance operational efficiencies, sales and marketing activities and the life of mine.

Competitive Projects

The location of our projects is crucial to their success. The location of the deposits (Muga, Vipasca, Izaga, Pintanos and Sierra del Perdón) in the Ebro Basin, in the North of Spain, provides us with a number of unique competitive advantages.

- The deposits are relatively shallow and can be extracted via conventional underground mining.
- The proximity to markets and clients, avoiding excessive transportation costs.
- Access to grid electricity, gas and water.
- Availability of well-qualified labour.
- Extensive infrastructure including roads and motorways, railway freight terminal and sea ports with no capacity constraints.

2.1. Muga: The Flagship Project

The Muga Potash Mine ("Muga" or "the Project") targets the relatively shallow sylvinite seams of the north western Ebro basis, which commence from less than 250 metres below surface and extend to depths below 800 metres. The absence of large acquifers in the geological units above the ore deposit allow the mineralised horizon to be accessed via a simple straight line decline (tunnel). This important point has significant positive cost implications during the mine construction phase.

Location

Muga is situated approximately 50km to the south east of Pamplona, within the communities of Undués de Lerda and Urriés, (Aragón), Sangüesa and Javier (Navarra).

The Project, which was identified from initial exploration carried out in the 1980's, was further delineated via the completion of 25 diamond core drill holes completed by Highfield Resources from 2012 until 2016, which yielded significant geological and mineral assay data. In addition to the geological work, Highfield has completed numerous technical studies for Muga including metallurgical test work, geotechnical testing and simulations, ongoing geohydrological monitoring and mine design to support the delivery of its feasibility study for the Project. The feasibility study indicate Muga will have an initial mine life of nearly 50 years.

The Muga mine will have two declines, both situated in the municipality of Undúes de Lerda, in the province of Aragón. The processing plant will be located in the municipality of Sangüesa, in the province of Navarra.

Investment

The initial investment is estimated to be approximately 267 million euros (€) of direct project related capital. In full operation, the project will create around 800 ongoing employment positions, and an estimated further 3,500 indirect jobs in the local communities around the Project. During the proposed 24 month construction period, it is expected that an additional 1,000 temporary direct jobs will be created.

Method

Ore extraction will be carried out by conventional underground room and pillar mining using continuos miners and road headers, and will be transported to surface via conveyors within the declines. The ore will be processed on surface via a simple froth flotation circuit to produce granular K60 muriate of potash ("MOP"). The processed potash will be transported by road to domestic customers and by road to port for export. It is expected that, at full production, around 1 million tonnes of MOP per annum will be produced.

Environment

The land identified to host the surface installations and mine portals is currently used primarily for low yield farming. Importantly, the project is not located within any environmentally sensitive or protected zones.

The Company is committed to reducing the impact of the mine and is working in different solutions for the management of all tailings, including backfilling and a strategy to commercialise the salt by-product in order to achieve the best environmental outcomes.

The mine and processing plant is designed to be self-sufficient with regards to water consumption through ground, mine ingress and rainwater recovery and management. A detailed and thorough environmental and social impact assessment has been carried out for the entire Muga Project. Work undertaken included geological, geomorphological, hydrological and hydrogeological studies, as well as climate, vegetation, fauna, habitat, landscape, archeology, paleontology, demography and socio-economic reports.

The Project also includes an environmental monitoring plan, which will document and ensure compliance with all environmental obligations.

Corporate Information

Highfield Resources Limited is an ASX listed company. The Company´s headquarters is located in Spain.

Spanish Head Office

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Corporate Directory

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KENT TOWN SA 5071
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Share Registry

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110 Stirling Highway
Nedlands WA 6009
Telephone: +61 8 9389 8099
Facsimile: +61 8 9262 3723

Securities Exchange Listing

Highfield Resources Limited shares are listed on the Australian Securities Exchange, the home branch being Perth.
ASX code: HFR

Highlights:

Main Highlights

- DFS completed March 2015
- DFS optimised in November 2015
- Dual decline access, conventional underground mine
- Technologically proven process plant
- Expected to produce approximately 1.1Mtpa of granular K60 MOP
- Expected 47-year mine life with substantial potential upside from ongoing exploration
- Pre-production capex – €267 million (total capex of € 413m)

Muga Mine Approvals Process (as of 7th Abril 2016)

- The Spanish Central Government's Department of Agriculture, Food and Environment in Madrid (Ministerio de Agricultura, Alimentación and Medio Ambiente or "MAGRAMA") continues to review the environmental and social impact assessment of the Project on behalf of the Project´s referral authority, the Spanish Central Government's Department of Industry, Energy and Tourism (Ministerio de Industria, Energía y Turismo or "MINETUR").
- The Company continues to work actively with all stakeholders to progress the Project.
- The Company continues to be confident of receiving a positive outcome from MAGRMA and shortly thereafter a mining concession from MINETUR.

Muga Mine Optimisation Study

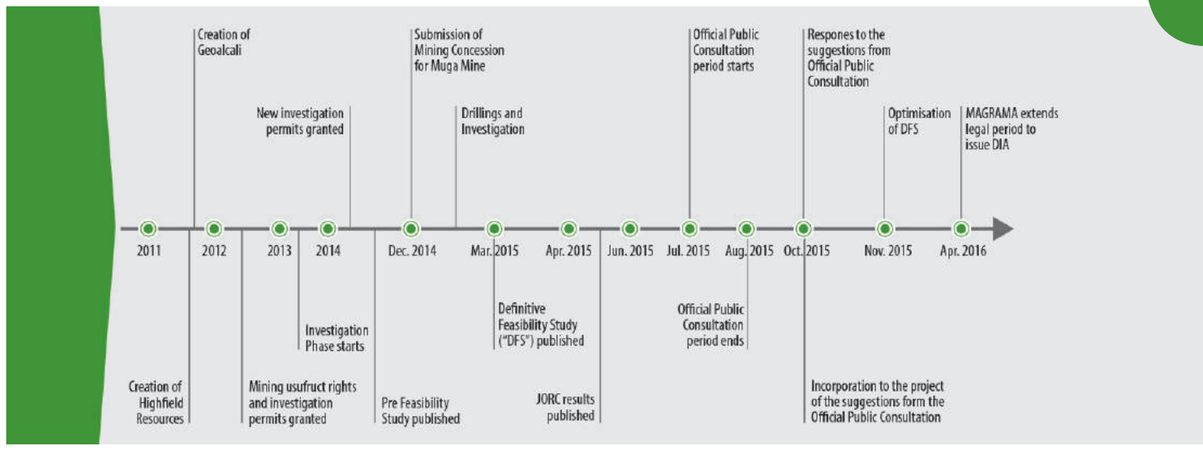
On 17 November 2015, the Company announced the results of the Muga Mine Optimisation Study. Highfield completed further optimisation engineering of the project with a focus on underground design and equipment selection to improve operational efficiencies.

Initiatives and outcomes included:

- Altering the mine plan to include an additional sylvinite seam (Capa A) resulting in an increased mine life from 24 to 47 years. This excludes any potential upside from a number of exploration targets.
- Electing to use a combination of continuous miners and road headers to increase productivity in production and infrastructure development.
- Increasing the number of main infrastructure galleries in the mine plan from one to three to reduce ramp up risk and increase likely operational efficiency.
- Increasing the size of the underground conveyor belt system to cater for an increase in underground tonnage and to enable better expansion options.
- Increasing the size of underground storage to enable more flexibility in smoothing grade profile to the processing plant.
- Increasing the size of the conveyor belt to surface in one decline to 1,500 tonnes per hour of material
- Increasing the size and flexibility of the processing plant to deal with higher throughput of material.
- Altering mine and process plant design to enable a phase 2 expansion to deliver a constant 90k tonnes of granular K60 per month (1.08m tonnes per annum) for the balance of the revised 47-year mine life; and
- Factoring in potential mine expansion into design to allow seamless expansion of production in the future.

For more information go to www.highfieldresources.com.au and refere to the ASX releases tab, date 17th November 2015.

Muga Mine timeline



2.2. Other projects

2.2.1. Sierra del Perdón

Sierra del Perdón ("SdP") is located approximately 10km to the south east of Pamplona. It is the site of two former potash mines which operated from 1963 through until 1996, producing an average of 360,000 tonnes of K60 MOP per annum.

Similarly to the proposed Muga Potash Mine, the ore at SdP was extracted via conventional underground room and pillar mining and processed via simple froth flotation of sylvinite ore. Mineralisation was accessed via two declines as well as a small shaft in the centre of the deposit.

The Company completed a desktop Scoping Study in April 2015. The study was based upon the large amount of historical data available from the former operating mines and was complemented by additional drilling conducted by Highfield.

Main Highlights:

- A Scope study was completed in April 2015
- The exploitation technique will be conventional underground room and pillar mining
- The mineralised horizon will be accessed via decline
- Ore will be processed via carnallite decomposition circuite followed by flotation
- The project is expected to product 520ktpa of granular K60 MOP for a minimum life of mine of 20 years
- The initial investment for the project will be around US$233 million

2.2.2. Pintanos

The Pintanos Project is located adjacent to the Muga Project and covers an area of around 125 Km2. The project will target the relatively shallow sylvinite horizons ranging from 500 metres to 1,200 metres below surface.

Main Highlights:

- Adjacent to the Muga Project and part of the same mineralised sub-basin
- The area of the Project covers around 60km^2
- Relatively shallow mineralisation commencing from 500 metres below surface.
- The Inferred Mineral Resources is 187 million tonnes with an average grade of 11.2% $K_2$0. Similar scale to the Muga project
- The Mineral Resource Estimate covers less than 20% of the total permit area
- Exploration target of 1 billion tonnes with an average grade of 15.4% $K_2$0
- Many shared characteristics with Muga

2.2.3. Vipasca

The Vipasca Project ("Vipasca") encompasses the contiguous permits to the west of the Muga Project. Exploration work at Vipasca is targeting three of the sylvinite beds encountered at the Muga project – the Capa B, Capa 1 and Capa 2 beds. Similar to Muga, there is the possibility that more sylvinite beds are present within the Vipasca permits.

The Vispaca exploration target has been divided into two areas; the Rocaforte target, which covers an area of approximately 60km2; and the Osquia target with an area of approximately 31km2.

The Rocaforte Exploration Target area is limited in its southern extent by the increasing interpreted depth of the evaporite unit (limited for the purposes of the Exploration Targets at 1,500 metres below surface) and to its northern extent by the controlling Loiti fault.

Both areas within the Exploration Target are anticipated to encounter the Capa B, Capa 1 and Capa 2 seams, which are prevalent across the Navarran sub-basin of the broader Ebro Basin

Grade ranges used in the Muga Exploration Target for seams Capa 1 and 2, and the grade ranges for the Muga drilling campaigns for seam Capa B were used to estimate the Exploration Targets.

Main Highlights:

- Adjacent to the Muga Project covering an area of approximately 120km^2
- Many shared characteristics with Muga

2.2.4. Izaga

On 27 April 2015, the Company applied for the Girardi Investigation Permit. This permit complements the northern area of the Osquia Permit to complete the new Izaga Potash Project.

The Izaga Project is located in a syncline structure abutting the northern extent of the expanded Vipasca Project.

Main Highlights:

- New permits applied for April 2015
- Project area of over 100km^2
- Clear continuation of sub-basin evaporitic units evidenced by outcropping
- Historical drilling completed with potash mineralisation encountered

2.2.5. SOP Project

As part of the Company's aspirations to become a significant global potash producer, it is exploring options to convert some of its potash production (MOP or KCl) to the specialty fertiliser Sulfate of Potash ("SOP"). With the significant price premium for SOP relative to MOP, the Company believes there is a potential opportunity to earn a substantial additional margin through this strategy.

SOP is a chloride free source of potassium and is especially useful for chloride sensitive crops such as stone fruits, some vegetables and nuts.

Highfield proposes to convert MOP to SOP using the Mannheim process. Mannheim production involves the reaction of MOP with sulphuric acid in the presence of heat in a Mannheim furnace producing SOP and hydrochloric acid by-product.

The Company has completed a detailed desktop study, which indicates the technical and economic viability of the process to produce 500,000 tonnes of SOP from approximately 400,000 tonnes of MOP from the proposed Muga Potash Mine. The study estimates capital expenditure of US$147 million dollars for the full 500,000 tonnes per annum production. The Company is likely to stage the development, which will reduce the upfront capital cost requirement.

Sustainability, the Key to Muga's Development

3. Sustainability, the Key to Muga's Development

3.1. Activity Framework

The integration of sustainability into the Company's corporate strategy is fundamental to its ongoing social licence to operate. Since its inception, a balance between social, economic and environmental values has been a core focus and, in turn, the corporate ideal to achieve benefits for all stakeholders and to leave a positive legacy in the region.

Sustainability factors are taken into account in the design of the Muga Project and, in the longer term, Highfield's other projects in order to benefit all stakeholders of the projects.

To achieve this, the Company works towards excellence in its activities and has established clear frameworks, goals, objectives and, importantly, monitoring and measurement systems to monitor efficacy and progress.

Sowing for the future.

Mission Statement:

Geoalcali's mission is to carry out potash exploitation mining activity in a profitable, safe, responsible, sustainable and environmentally committed manner.

The Company, in its firm commitment to implement sustainability in all its processes, works on four key pillars in its corporate strategy:

Safety first

Committed to the environment

Social development

Economic Growth

As part of its corporate strategy and response to the CSR commitment, the Geoalcali Foundation was created. The Foundation is an independent entity which shares the same values as the Company and works alongside the Company with the aim to develop initiatives that help the social economic development of the region.

Highfield aims to become a respected mining company recognised for its environmental focus. To achieve this, it has voluntarily adopted initiatives and procedures to ensure that its projects not only comply with current legislation but also comply with external international principals such as the Aarhus Convention, the United Nations Global Compact, the Rio Declaration, Performance Standards recommended by the IFC (International Finance Corporation), as well as the Equator Principles.

In line with these principles, the Company has signed a Code of Ethics and Corporate Ethics ("Code of Ethics"), which establishes a set of internal guidelines that reflect the values of the Company.

To support these commitments, within the objective of achieving sustainable mining management, an integrated management system has been implemented, focusing on the improvements in health and safety and the environment.

In June 2015, Geoalcali launched an important milestone when TÜV Rheinland certified its Management System in accordance with the following standards:

UNE-EN-ISO 9001. *"Quality Management"*

UNE-EN ISO 14001. *"Environmental management"*

UNE 22480. *"Sustainable Mining management"*

OSHAS 18001. *"Occupational health and safety management".*

A year later, in June 2016, the integrated management system of the Company underwent its first monitoring audit. TÜV Rheinland certified its correct usage.

Additionally, the Company has adopted ISO 26000 on CSR which has been incorporated into the management system, which regulates recommended procedures to ensure a participatory relationship with stakeholders.

In line with these commitments, and to ensure ongoing participation from stakeholders, the Company has developed a Public Participation and Communication Plan.

In addition, the Company joined the Corporate Responsibility program for the Government of Navarra, known as InnovaRSE. The objective is the implemention of a transparent and participative company model monitored by consultants approved by the Government of Navarra.

As stated by the Government of Navarra itself, the companies affiliated to InnovaRSE are: ***"an example of an effort to integrate CSR in their organizations in order to differentiate themselves, increase their competitiveness and bring value to the society in which they are immersed."***

NAVARRA INNOVARSE DIAGNÓSTICO2015

In the second phase of this program, the Company will participate in the Action Plan 2016, in which concrete objectives for the next 2 years will be defined.

Each employee should know and adopt the ethics and standards policy set by the Company. To achieve this objective, each employee will undergo an annual progress review allowing the definition of new personal challenges aimed at achieving the overall goals of the Company.

For the Company, when making decisions, it is vitally important to make decisions and report in a transparent manner to enhance the performance of its objectives and goals.

In this sense, the goal of its second Sustainability Report has been to expand its scope by reporting in greater detail the performance of the Company.

3.2. Corporate Governance

Highfield is firmly committed to becoming a potash producer that is a benchmark for sustainability in the sector. For this reason, the Company references the recommendations set out in the "Good Corporate Governance Principles and Best Practices Recommendations" of the Australian Corporate Governance Council and Australian Stock Exchange, as well as international guidelines expressed in the Global Compact, Equator Principals, The Rio Declaration, the International Labour Organization (ILO) and the International Finance Corporation (IFC).

These values are reflected in the Company's Code of Ethics and are intended to protect the interests and rights of Highfield's investors, employees, government entities, suppliers, community and society.

The Board of Directors ("the Board") of Highfield is committed to achieving and demonstrating sound corporate governance practices, appropriate to the size and stage of the Company's development. The Board oversees the business and affairs on behalf of the shareholders to whom they are accountable. The Board, with the assistance of its Committees, regularly reviews these governance practices to ensure that they remain consistent with the Group's needs. In addition, it is responsible for monitoring the evolution of governance practices, expectations and regulations. The corporate governance policies and procedures can be found within the Company's Code of Business Ethics and Conduct located on the Company's website:

www.highfieldresources.com.au/corporate-governance

3.3. Board of Directors

Derek Carter

Non-Executive Chairman, BSc, MSc, FAusIMM(CP)

Mr. Carter has over 40 years' experience in exploration and mining geology and management. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur Gold Ltd in 1993. He is currently Chairman of Minotaur Exploration Ltd and a former Chairman of Petratherm Ltd (resigned March 2014). He is a former board member of Intrepid Mines Ltd (resigned November 2015), Mithril Resources Ltd (resigned December 2014) and Toro Energy Ltd (resigned November 2012), all ASX listed companies.

Mr. Carter is a former President of the South Australian Chamber of Mines and Energy, former board member of the Australian Gold Council, is a member of the South Australian Resources Development Board and the South Australian Minerals and Energy Council, and a former Chairman of the Minerals Exploration Advisory Group. He was awarded AMEC's Prospector of the Year Award (jointly) in 2003 and is a Centenary Medallist.

Mr. Peter Albert (appointed 1 September 2016)

Managing Director, BSc (Hons), EMBA, FAusIMM, MIOM3, CEng

Mr. Albert has over 30 years' experience in project management, general management and operations management in mining and minerals processing in Australia, Africa and Asia. Mr. Albert is a metallurgist and holds an Executive MBA degree. He is a Member of the Institute of Materials, Minerals and Mining (London), a Fellow of the Australasian Institute of Mining and Metallurgy ("AusIMM") and a Chartered Engineer. Mr. Albert was awarded the "Mining CEO of the Year" at the 2012 Asia Mining Congress. Mr. Albert was also awarded the "Mining Executive of the Year" at the 2013 Asia Mining Congress.

Before joining the Company, Mr. Albert held CEO roles with two Hong Kong listed organisations, Jinchuan Group International Resources Company and G-Resources Group. He has held leadership and senior executive roles with OZ Minerals Limited, Oxiana Limited, Shell-Billiton (Australia), Aker Kvaerner (Australia) and Johannesburg Consolidated Investments (South Africa).

Mr. Richard Crookes

Non-Executive Director, BSc (Geology), Grad Dip Applied Finance

Mr. Crookes has over 28 years' experience in the resources and investments industries. He is a geologist by training having worked in the industry most recently as the Chief Geologist and Mining Manager of Ernest Henry Mining in Australia (now Glencore). Prior to Mr. Crookes joining EMR Capital as an Investment Director he was an Executive Director in Macquarie Bank's Metals Energy Capital (MEC) Division where he managed all aspects of the Bank's principal investments in mining and metals companies as well as the origination of numerous Project Finance transactions. Mr. Crookes has extensive experience in deal origination, evaluation, structuring, post-acquisition management, client relationship management, marketing and execution of investment entry and exits for both private and public resources companies in Australia and overseas.

Ms. Pauline Carr (appointed 30 October 2015)

Non-Executive Director, BEcon, MBA, FAICD, AGIA

Ms. Carr has over 25 years' commercial experience in management, corporate governance and compliance, mergers and acquisitions, investor and stakeholder relations and corporate restructures. She currently provides business improvement, compliance, risk management, project management and corporate governance solutions to executive management teams internationally. Prior to this, Ms. Carr held senior positions with ASX listed Newmont Asia Pacific and Normandy Mining Limited and worked for a number of years in the oil and gas sector with Exxon Mobil. She sits on several Boards and is Deputy Chairman of the Minerals Economic Advisory Council.

Mr. Jim Dietz (appointed 23 November 2015)

Non-Executive Director, B.Eng (Chem), M.Eng (Chem)

Mr. Dietz has over 42 years' experience in the fertiliser, chemical and petroleum industries, primarily in senior operational roles. From 2000 until 2010, he was Chief Operating Officer of Potash Corporation of Saskatchewan ("PotashCorp"), the world's largest fertiliser company. Prior to that position, Mr. Dietz held a variety of other senior management roles, including President of Nitrogen, during his 17 year career with PotashCorp. During that time, Mr. Dietz was responsible for global operations as well as Safety, Health, and Environment performance and Procurement. Mr. Dietz also represented PotashCorp on the Board of Directors of Arab Potash Company. Mr. Dietz is a Chemical Engineer and holds both a Masters and Bachelors designation from the Ohio State University.

Mr. Owen Hegarty

Non-Executive Director, BEc (Hons), FAusIMM

Mr. Hegarty has over 40 years' experience in the global mining industry. He spent 25 years with Rio Tinto where he was Managing Director of Rio Tinto Asia and Managing Director of the Group's Australian copper and gold business. He was the founder and CEO of Oxiana Limited Group which grew from a small exploration company to a multi-billion dollar Asia Pacific focused base and precious metals producer, developer and explorer.

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

Mr. Hegarty is a director of various listed and unlisted resources companies including Fortescue Metals Group Ltd, Tigers Realm Coal Limited and EMR Capital. Mr Hegarty is a former Director of the AusIMM and Hong Kong listed G-Resources Group Ltd.

Mr. Anthony Hall **(resigned 31 August 2016)**

Chief Executive Officer, BBus, LLB (Hons), AGIA

Mr. Hall has 20 years' broad commercial experience in venture capital, strategy, risk management, legal services, company secretarial and compliance. He was the founding Managing Director of Highfield Resources in October 2011 and has held that role ever since. Prior to October 2011 he was Head of Strategy and Business Development of Lend Lease Solar (part of the ASX listed Lend Lease Company (Lend Lease)). In this role he was responsible for setting the strategy of the newly created entity and positioning the entity for growth in the emerging renewable energy market in Australia.

During his employment with Lend Lease, Mr. Hall worked in the venture capital subsidiary where his responsibilities included setting investment strategies in targeted market sectors, reviewing and assessing global entities involved in these sectors, executing investments in these entities and ongoing involvement in investee entities. He was also Head of Risk for the Australian development business and held in-house legal and company secretarial roles.

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 Governance Institute of Australia.

Mr. Pedro Rodriguez **(resigned 1 August 2016)**

Managing Director, BBus, LLB (Hons), AGIA

Mr. Rodriguez has over 35 years' experience in mining services in Spain. Over his career Mr. Rodriguez has worked with six international mining companies in Spain (Peñarrolla Spain-SMMPE, Billiton International, Navan-Almagrera, Newmont Spain, Ormonde Mining and Heemskirk Consolidated Limited). His roles ranged from exploration geologist to Managing Director of Navan´s Spanish business where he was responsible for the development and operations of mines in Spain.

Mr Rodriguez has been with Highfield Resources since October 2012 as the Company´s Development Director. Prior to his appointment with the Company he had direct responsibility to the Board of Directors of Almagrera SA for delivering a mining chemical complex with more than 460 direct employees and sales of over US$50 million per annum. The complex presently produces more than 1.4 million tonnes per annum of polimetallic minerals of copper, zinc and lead, and 300,000 tonnes per annum of sulphuric acid.

Mr. Donald Stephens, **BA(Acc), CA**

Company Secretary

Mr. Stephens has over 25 years' experience in the accounting, mining and services industries, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a Chartered Accountant and corporate adviser specialising in small cap ASX listed entities.

Mr. Stephens is a director of Mithril Resources Limited, Petratherm Limited and Lawson Gold Limited. Additionally he is Company Secretary of Mithril Resources Limited and Minotaur Exploration Limited and various other unlisted public companies. Mr Stephens is a former Director of Papyrus Australia Limited (resigned 24 August 2015), Reproductive Health Science Limited (resigned 1 September 2015) and Crest Minerals Ltd (resigned February 2016).

The Company has always focused on integrating sustainability at all stages. This focus includes the implementation of a wide range of assessments, studies and monitoring procedures to guarantee best environmental outcomes .
Our plan is to become a long term good neighbour in the communities where our projects will be established, and so we also have a focus on spreading the benefits to the community over many years.

3.4. About the Report

This is the second Sustainability Report compiled by the Company and is based on the Global Reporting Initiatives ("GRI") guidelines, version 4. This report encompasses the period from 1st July 2015 to 30th June 2015 (i.e. fiscal year 2016), and summarises the Company's self assessed performance in the various environmental, social and economic areas.

The previous Sustainability Report of 2015 included a reporting timeline of CY2013, CY2014 and H12015, this report only covers the timeline of fiscal year 2016.

During the timeline of this report there were no relevant milestones that modified the Company's priorities.

For more information about this report contact:

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Geoalcali, S.L.
Av. Carlos III, 13 B, 1 B. Pamplona. Spain

3.5. Stakeholders

The Company has performed a detailed Materiality Assessment to identify each group of stakeholders and to establish the degree to which, and manner in which, the Project will impact them. This assessment provides valuable information to The Company, allowing it to formulate strategies to address each group according to its relevance and taking into account:

- Its interest in or degree by which the Project impacts it
- The economic relationship with the success / failure of the company

	How	Frequency	Theme
Current and Potential employees	Healthy working environment. An information bulletin board is available for internal reporting as well as for specific announcements. In addition, information sessions are held on different subjects to achieve cohesion in the team. As for potential employees, the Company is perceived as a potential employer and has already received more than 4,000 CV's.	Daily	Health and Safety, Environmental Awareness, Business Development, Corporate Ethics, Sustainability, Training and Conciliation Measures.
Local Community	Solid relationship with local communities through initiatives developed by The Geoalcali Foundation. In addition, the Communication and Public Participation Plan contemplates several communication actions to fulfill our commitment to inform with transparency.*	Weekly	Sponsorship and support to solidarity causes, social, environmental and educational initiatives. Information about the project and its impact. Performance accountability and business plans.
City Councils	Meetings of information about the growth of the project. These meetings are there to listen to concerns and suggestions from representatives of the residents who live in the area where our project is located.	Monthly	Investment and extension of the advantages of the project to the community. Consensus measures for the implementation of our project in the area.
Suppliers	Good relationship with suppliers. At present the Company is in the phase of introducing procedures to promote our commitment to "local purchase".	Daily	Cost reduction, productivity, quality and innovation, new technologies, environmental protection, health and safety asessments, certifications, sustainability and commitment to local suppliers.
Universities and Professional Entities	Sponsorship and participation in conferences that promote knowledge of our sector.	Bi-Annually	Extend knowledge to society about geology, mining, fertilizers and agribusiness. Participate in initiatives that promote the development of our activity in a sustainable way through the exchange of knowledge putting.
NOG's and Social Associations	We have done informative work with different social and environmental associations to find means of collaboration that guarantee our sustainable development.	3-6 times a year	Safety, environmental, economic and social impact.
Governmental Entities	We hold periodic meetings with different government entities to report our plans and how to comply with current legislation.	Quarterly	Compliance with legislation, set a precedent in the sector, economic engine of the region, job creation.
Investors	We hold several meetings to explain the evolution of the project. All information is published on the web and on the ASX website (Australian Stock Exchange)	Monthly	Investment, financial results, market information, excellence in operations, rise and opportunities, priorisation.
Media	We have an open relationship with the media. We issue press releases according to relevance.	Low demand	Company priorities, environmental impact, local impact, economic impact, community relations, partnerships with associations.

** The Local Community section explains in detail the different initiatives carried out with local communities, their participation and our information mechanisms.*

3.6. Material assessment

The Company has established a Sustainability Committee responsible for implementing the sustainability strategy. The committee's objectives include:

- The development of the Sustainability Report and leading the different initiatives.
- Monitor and compile relevant data and information to assist with administrative decision-making.
- Perform evaluations and continually improve processes and procedures.

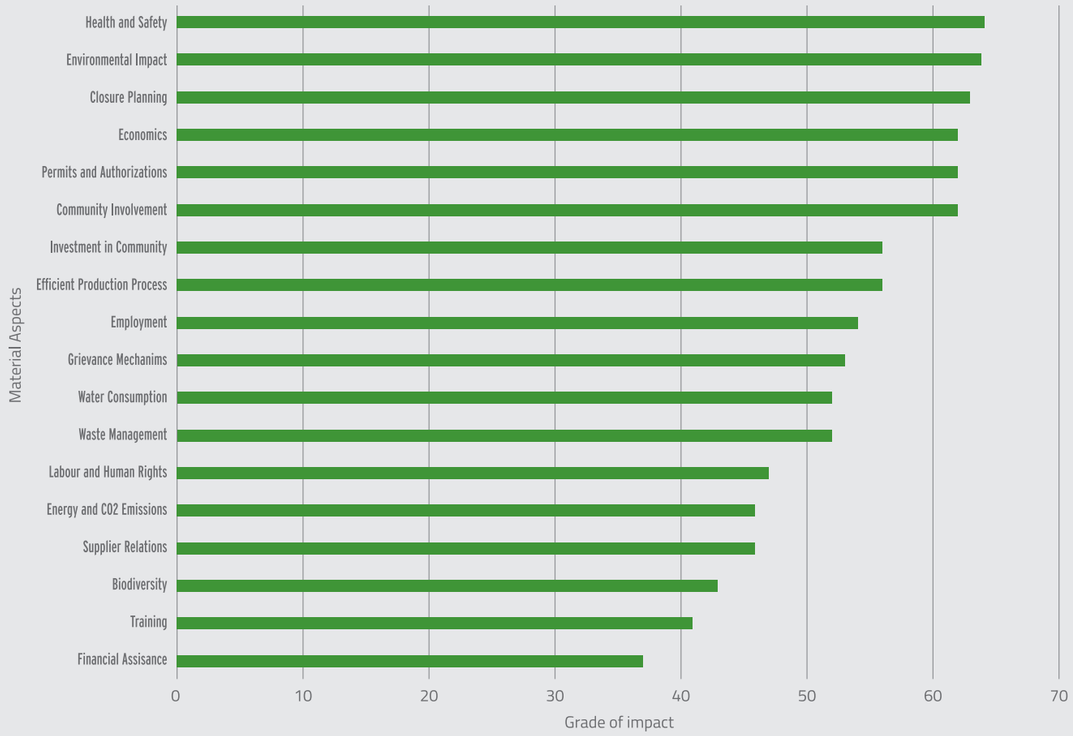
Documents and actions that have contributed to the implementation evaluation process include an increase in participation efforts, through a Citizen Participation Process

During the process, a social diagnosis of the area of influence has also been developed in order to assess the informational needs as well as the general opinion of the Company and its foundation. Work included:

- An analysis of the media to understand the impact of The Company's activity on local communities and society in general.
- Different technical, environmental, social and economic studies that contribute to the prioritisation of these aspects as well as to identify those aspects that need to be reported with greater transparency.

The second report reaffirmed the Company's prioritisation of the Material Aspects which were prepared in 2015. Highfield will continue to monitor its performance in order to adapt the content of the reports according to the accountability and transparency criteria.

Material Aspects Prioritisation



Company Performance

Main Highlights

Continued Objectives and New Challenges

4. Company Performance

4.1. Main Highlights

01. Zero work related accidents.	**02. During the period, 66.6% of new staff were women.**	**03. The creation of an implementation strategy for an Equality Plan**
04. Average complaints per employee: 0.02, including via the confidential channel.	**05. Zero complaints from the community through our website and offices.**	**06. A significant increase in Health and Safety Training with 1,490 hours of training in total. This represents an increase of over 7 times, from 5 hours of training per employee, with an average workforce of approximately 30 people, to more than 37 hours of training per employee with a total workforce of around 40 people.**
07. An increase in our participation in events organized by universities that disseminate knowledge of the sector.	**08. The implementation of more than fifty social projects in the area through the Geoalcali Foundation**	**09. The signing of an important agreement with the environmental association SEO-Birdlife for the conservation of the environment in areas where the Company will operate.**
10. Execution of a collaboration agreement with Agringes, a waste management company, promoting the circular economy and recycling of organic agricultural waste.	**11. Completion of a Voluntary Public Participation Process to listen to the community, setting a precedent in the big mining projects and clearly demonstrating our commitment to our stakeholders.**	**12. A collaboration agreement with different entities regarding projects that seek to increase the competitiveness and sustainability of agribusiness, such as the CITA (Aragón Research Technological Centre) and the Cinco Villas Agricultural Technological Centre.**
13. A study consolidating the understanding of potential suppliers to the Project from Navarra and Aragon, another step in the commitment of the Company to boost the local market.	**14. The adaptation of the new 2015 versions of the UNE 22480 and UNE22470 standards on sustainable mining management**	**15. The renewal of the four certifications that support our Integrated Management System.**
16. Investment in R & D in projects to improve soil recovery	**17. Greater knowledge in the staff section of the Code of Ethics**	**18. Significant progress towards project financing.**

4.2. Continued Objectives and New Challenges

2015 SUSTAINABILITY OBJECTIVES

Social

Health and Safety:

To create a culture of Health and Safety and become an industry leader by creating and maintaining a zero harm environment for our workplaces and all of our employees. To achieve this we will work towards:

1. Increasing Health and Safety awareness programs across the organisation — **Achieved**
2. Continuing to enhance and refine our procedure and practices and monitoring our performance — **Achieved**
3. Implementing basic Health and Safety induction programs for all employees and a Crisis Management Plan — **On Plan**

Our People:

To create a healthy workplace environment for the well-being of our current and future employees. To achieve this goal we will,

1. Conduct employee surveys on work place satisfaction — **On Plan**
2. Train all employees on our Code of Business Ethics and Conduct — **Achieved**
3. Continue with the implementation of ISO 26000 guidelines in our Integrated Management System for 2016 which improves upon the previous period — **On Plan**

Local Communities:

Integrate our business in the community by understanding needs and listening to concerns, while spreading the economic benefit by:

1. Maintaining our priority of hiring locally — **On Plan**
2. Establishing contact information points in the regions of our projects for feedback suggestions and grievances. — **On Plan**
3. Increasing social initiatives through the Geoalcali Foundation — **Achieved**

Environment and Permits

Continue to comply with all legal requirements regarding environmental issues in our industry and go beyond by measuring our performance and setting future goals. We will achieve this by obtaining:

1. Government approval of the Muga Mine Environmental Impact Assessment — **On Plan**
2. Construction and Operating Permits for Muga Mine — **On Plan**
3. Monitoring of our operations to reduce our GHE (Green House Gas Emissions) where possible — **On Plan**

Economic

We are creating a sustainable and profitable business by conducting it safely through our risk management process and financing that will result in:

1. Securing project finance for Muga Mine — **On Plan**
2. Completing preliminary economic and environmental assessments for Pintanos, Vipasca, Sierra del Perdón and Izaga Projects. — **On Plan**

Reporting

We are committed to being transparent and communicating our sustainability performance and will:

1. Broaden the scope of our Sustainability Report — **Achieved**
2. Develop a Sustainability Report for next period — **Achieved**

2016 SUSTAINABILITY OBJECTIVES

Dimension	Areas	Goals
Social	Continue working with a positive Health and Safety culture	Zero Accidents
		Maintain awareness programs for Health and Safety
		Monitor performance to adjust our processes
		Monitor the impact of noise in regards to the employees and the local communities during the construction phase and to establish measures to ensure noise reduction and compliance.
	Our People: Proactive and positive workplace environment	Train our staff on our Integrated Management System
		Implement measures to ensure a work-life balance
		Create awareness of our Code of Business Conduct and Ethics.
		Continue with the implementation of the ISO 26000 guidelines.
	Local Communities: Integrating our business in the community	Establish ways to Support our Suppliers Policy, in particular with regards to the “buy local” commitment.
		Increase participation and information sharing for the local community.
		Continue with the local initiatives sponsored by the Foundation with particular focus towards the initiatives that promote the well being of people within the region.
Environment	As a minimum comply with legal requirements	Government approval of Muga Environmental Impact Assessment.
		Construction Permits for the Muga Mine
		Achieve at least the minimun required level of Health, Safety and Environmental compliance.
		Increase environmental awareness to reduce water, paper and electricity consumption.
Economic	Create a sustainable and profitable business	Secure Project Finance for the Muga Mine
		Complete preliminary studies of other company projects.
Overall	Reporting: Be transparent	Increase our external communication activities

Health and Safety

Training, Courses and Talks, Creating a Culture of Health and Safety

Relevant Changes

Knowledge and More

Accident Statistics: Objective of Zero, Completed

Hygiene and Safety in the Region

5. Health and Safety

For Highfield, as a parent company, and for Geoalcali, as a Spanish company which is developing the Muga Project, a priority objective is improving the conditions of Health and Safety in the work place, including reducing the number of accidents in the workplace.

The effective application of an Occupational Risk Prevention System ("PRL") not only improves the health and safety of workers, but also increases the productivity and competitiveness of the Company. It prevents, or at least minimizes, the causes of accidents and work-related illnesses. At the same time, a greater and better integration of the Company with the social and economic environment is achieved.

The Company's vision, which is oriented towards prevention, gives priority to both the planning process and preventive activity.

The Law on the Prevention of Occupational Risks does not affect the validity of the special provisions on prevention of occupational risks in mining operations, contained in Chapter IV of Royal Decree 3255/1983 which approves the Statute Of the Miner in its development regulations, as well as those of Royal Decree 2857/1978 which approves the General Regulation for the Mining Regime, and Royal Decree 863/1985 which approves the General Regulation of Basic Norms of Mining Security, and its complementary dispositions.

However, and in accordance with Chapter II of Royal Decree 1389/1997 which approves the minimum provisions to protect the Health and Safety of workers in mining activities, the employer is responsible for the preparation of a "Health and Safety Document" which must be updated annually and presented with the Work Plan, or whenever there is a significant change in the workplace and presented before the relevant Mining Authority for approval.

This "Health and Safety Document is regulated by the I.T.C. 02.1.01, the general guidelines being to take into account the following:

- That the risks to which workers are exposed in the workplace have been identified and evaluated.
- That adequate measures will be taken to achieve the objectives set out within the current legislation for the prevention of Occupational Hazards, using the concept of security integrated into the production process.
- That the design, use and maintenance of the workplace and equipment is safe.

In order to comply, the Company has prepared a Health and Safety Document for the "Muga Mine" Exploitation Project (in Navarra and Aragón), which refers to the General Safety Structure required to carry out the activity. This includes a description of the necessary material and human resources, as well as an evaluation of occupational and hygienic hazards (dust, noise, chemical pollutants, etc.). Also, this document includes an accident report, which reflects the rates of frequency, severity and average duration of incidents.

The monitoring program includes occupational hygiene and safety in accordance with the provisions of current legislation and will be complemented with OSHAS 18001. "Occupational Health and Safety Management Systems", containing at least:

- Control and evaluation of preventive activity
  - Periodic management
  - Monitoring and management
  - Follow-ups for occupational accidents, incidents and illnesses
  - Accident rates
  - Audits for the Prevention of Occupational Hazards system
- Health Surveillance Program

5.1. Training, Courses and Talks, Creating a Culture of Health and Safety

Health and Safety ("H&S") is a priority for the Company and requires a concerted effort from all employees. To achieve this, Highfield an Geoalcali promote continuous training of employees and reinforces this training with further events and awareness talks.

During the last half of 2015, 9 new employees were incorporated into the Geoalcali team (3 with training contracts). All new employees underwent an initial H&S course (Office; initial training and information, Risk Assessment. In the Field; Internal security provisions) with a total of 39.5 hours of training logged.

During the first half of 2016, 5 new employees were incorporated in the Geoalcali team (3 with training contracts). All of these new employees underwent the initial H&S course with a total of 18.5 hours of training logged.

Similarly, during the first half of 2016, 23 employees participated in a total of 170 hours of specific safety courses on topics such as; General PRL Concepts, data visualisation templates, emergency plans, first aid, noise, electrical risks in low voltage and machine safety.

During the first quarter of 2016, 10 employees participated in a total of 600 hours of training on a basic safety course, on preventative resource functions. This course will be repeated for another 10 employees in the second half of 2016.

In the second quarter of 2016, 26 employees participated in a training course under the instruction of the Complementary Technical Instruction 02.1.01, which is compulsory for all company employees who work in the mining sector. A total of 520 man hours were attributed to this.

During the first half of 2016, 1 employee participated in a 200 hour H&S coordinator course specific to the construction phase.

Practical safety talks have been given on a monthly basis aimed at addressing specific safety issues via short meetings with the entire workforce. During the first half of 2016 193.25 hours have been dedicated to this. Some of the topics discussed have included:

1. Personal Protective Equipment Usage.
2. Trip Hazards.
3. Business Activity coordination.
4. International Occupational H&S day.
5. Occupational Stress Management.
6. General Risks in Underground Mining.

Special recognition should be given to the 4th H&S talk which was held on the 28th April, coinciding with International Occupational H&S Day and International day in memory of fallen and injured employees. In this talk we invited two external speakers, experts in the chosen topics:

- Mercedes Lezaun (LEFER Company): Occupational Stress Management.
- Manuel Jiménez (Former Employee of Potasas de Navarra): Safety in Potash Mines.

Management of occupational stress is a key focus for the Company. In May 2016, a session was dedicated to this matter, complementing previous talks and practical workshops organized by LEFER.

Health and Safety awareness campaign (28th of April 2016)

Poster of our internal H&S event

5.2. Relevant Changes

On 1st February 2016, a change from the mutual health insurance company for accidents at work and occupational illness association was made due to Geoalcali´s commitment to the prioritisation of employing local businesses. Following this, an agreement was signed with Mutua Navarra, a company that meets the legislative requirements and offers outstanding facilities for the provision of medical care in the event of an accident or occupational illness.

On May 28th 2016, a change to the External Occupational Health and Safety Service was made, due to Geoalcali´s commitment to prioritising the employment of local businesses. Following this, an agreement was signed with Prevenna, a company that meets the legislative requirements and also offers outstanding facilities. It offers the following services:

- The three technical specialisations:
  - Occupational Safety
  - Industrial Hygiene
  - Ergonomics and applied psycho-sociology
- Collective and Individual Health Monitoring

5.3. Knowledge and More

Geoalcali meets the necessary conditions to be able to apply for “Bonus 2016”, a Company incentive system that focusses on the reduction of occupational hazards, and that carries out effective intervention of occupational accidents and illnesses. It achieves this through a reduction of the contributors of occupational accidents. “Bonus 2016” covers the period from January 1, 2015 to December 31, 2105. The conditions that Geoalcali is required to meet to qualify for this bonus are:

- A contribution of more than €5000 towards the prevention of occupational hazards.
- To ensure that the general and extreme accident rates are below the limits established in ESS / 56/2013.
- To not have been sanctioned in the period of observation for serious or very serious violations in the matter of prevention of occupational hazards or Social Security.
- To be up to date in fulfilling the obligations for Social Security contribution.
- Compliance with the basic requirements of preventing occupational hazards by accrediting it through the self declaration included in Order TIN / 1448/2010.
- Have documented and quantitative investments in facilities, processes or equipment for the prevention of occupational hazards that contribute to the elimination or reduction of risks.
- Have taken the following actions:
  - An external (voluntary) audit of the prevention system.
  - Implementation of a “Mobility Plan” to prevent accidents.
  - OSAS Certification 18.001.

5.4. Accident Statistics: Objective of Zero, Completed

Geoalcali staff have not suffered any accidents and so the objective of ZERO ACCIDENTS has been completed.

The business´ contractors or sub-contractors who work for Geoalcali, have not suffered any accidents and so the objective of ZERO ACCIDENTS has been completed.

The mining and construction sectors are implicitly high risk due to the activities that are carried out. For informational purposes, this report includes data (although not officialy published) relating to accident rates in mining and construction obtained from Social Security and Ministry of Employment:

$$\text{Mining Incidents Jan-Dec 2015} = \frac{\text{Accidents}}{\text{Employees}} \cdot 10^3 = 117{,}437$$

$$\text{Construction Incidents Jan-Dec 2015} = \frac{\text{Accidents}}{\text{Employees}} \cdot 10^3 = 67{,}945$$

$$\text{Mining Incidents Jan-Jun 2016} = \frac{\text{Accidents}}{\text{Employees}} \cdot 10^3 = 9{,}206$$

$$\text{Construction Incidents Jan-Jun 2016} = \frac{\text{Accidents}}{\text{Employees}} \cdot 10^3 = 5{,}732$$

5.5. Hygiene and Safety in the Region

Highfield has completed an assessment of the possible impacts of the Muga Project on the areas surrounding the Project using the IFC Performance Standards to guide it, with specific focus on Performance Standard 4. The Company has taken these recommendations into account and has identified the possible risks and impacts and proposed mitigation measures. These mitigation strategies have been prioritised and have already been incorporated into the projects design.

5.5.1. Risk of Illness.

Due to the inert nature of the materials used in the process, the project is considered low risk in terms of the potential for illnesses to employees or the surrounding region. Furthermore, given its location in a first world country, the risk of infectious diseases or other non-infectious diseases is considered low.

5.5.2. Risks from the Installations

- **Overflow:**

The project tailings storage facilities and storage ponds are designed to achieve safe water management even up to a 1 in 500 year storm event. The Integrated Water Management System for the project includes a detailed section regarding water risk management. This includes the design and construction of a safety dam which, in the unlikely case of storage facility failure, could retain an additional 450,000 m^3.

- **Subsidence:**

The technical studies for Muga reference detailed studies completed with respect to the risks associated with subsidence at the project. Subsidence is a phenomenon that is triggered by the creation of a void in the subsoil. This phenomenon, which results in a slight subsidence of the surface terrain, depends on the geomechanical properties of the terrain as well as the depth at which the void is produced.

Simulations were run by local consultant ITASCA using FLAC 3D software, utilising all of the available geomechanical data from the extensive drilling and geotechnical testing programs completed at Muga. The geotechnical test work programs were carried out by a certified laboratory, CEPASA and analysed by a geotechnical specialist, GEOMATEC.

The simulations provide an estimate of the subsidence that will occur at the Project. The results obtained from this study show very low levels of subsidence, and are well within the prescribed limits according to current legislation. In addition, they were compared with other similar mines and, again, were within the normal range.

While the theoretical simulations suggest the project is very low risk in terms of potential subsidence, the Company will still include mitigation strategies to further reduce this risk.

In addition, the Restoration Plan included in the Environmental and Social Impact Assessment proposes a Subsidence Surveillance Plan:

Measurement Campaign for Control Points:

- On a quarterly basis, the behaviour of the surface in relation to the progress of the mining operation will be compared.
- The monitoring area will be expanded as the exploitation progresses.
- In addition, critical monitoring points will be identified in the surrounding areas (with potential risks) and elements of interest that will be measured from the beginning of the mining operation to the end of it.
- The Monitoring Plan will continue in the post-closure phase.

5.5.3. Preparation and Response in Emergency Situations:

A preliminary emergency plan is attached in the Muga Mine Exploitation Project´s Health and Safety Document. The Company is in the process of creating a (construction phase) Emergency Plan and a (exploitation phase) Self-protection Plan that will be included in the Health and Safety document, attached to the first future works plan.

The Emergency Plan and Self-protection Plan is regulated by national legislation based on law 31/1995 for the prevention of occupational risks, is developed by Royal Decree 1389/97, which approves the minimum provisions to protect the health and safety of mining activities, and the Royal Decree 393/2007 establishing the basic norms of self-protection for centres, establishments and dependencies dedicated to activities in which emergency situations may arise, including mining-related operations and industries.

5.5.4. Financial Viability:

The technical assessment of the Project includes a financial analysis in which all the identified costs related to the mine clorure are included. This mine clorure cost estimate is required in order to comply with Spanish mining regulations.

5.5.5. Physical, Chemical and Ecological Habitat Integrity:

The mine closure includes different measures to guarantee the physical and chemical integrity of the Project site as well as the general ecological habitat of the surrounding area.

Amongst the most important measures is the sealing of the mine to avoid rainwater entering into the interior, which has the potential to generate new saline leachates as well as dismantling the support pillars.

Social

Our Employees: Setting an Example From Within

Our People: Local Communities

The Geoalcali Foundation, Communicates its Values to the Community

Academic and Proffessional World

6. Social

6.1. Our Employees: Setting an Example from Within

Geoalcali has created an additional 12 full time jobs in the past 12 months and, as of 30th June 2016, the total number of employees stands at 39.

The Company continues to actively contribute to the generation of quality employment in the region addressing a serious social problem and one of the major challenges facing Spain, where the unemployment figure is 22.7%*.

The regions of Navarra and Aragón where the business is located, the unemployment rate stands at a marginally lower 16.9% and 19.0%* respectively.

The commitment to the creation of quality employment is one of the indicators of the Company's commitment to the Project.

The human factor in Highfield's business is paramount. Through its Employment Policy and other policies expressed in its Code of Ethics, the Company commits to the evaluation of merit, to practices that encourage equal opportunities, and to actively fight against intolerant attitudes. The final objective is to build an inclusive framework where diversity is prioritised as one of the main values of the Company.

In addition, Highfield and its subsidiaries are committed to the personal and professional development of its employees. Through training programs, reconciliation measures of work and family life, alignment with strategic management to stimulate awareness of the workforce, the Company aims to create a healthy work environment.

The Company has also created of an Equality Plan to help encourage inclusive practices at work. Highfield has voluntarily adopted these practices, which are part of the global strategy to combat social inequalities between genders and act as preventative measures for possible violations of human rights. As part of this plan, the Company has also integrated measures that promote equality between genders, origin and ethnicity with the aim of creating a respectful and equal work environment.

What is an Equality Plan?

"An orderly set of measures, adopted after a diagnosis of the situation, aimed at achieving equal treatment and opportunities for both men and women to eliminate sexist discrimination" (Article 46 Organic Law 3 / 2007).

This plan is mandatory for companies with more than 250 employees.

**Source: Employment Statistic of the Government of Navarra, from 30th of June 2015 - 1st July 2016*

6.1.1. Attractive to Professionals

Geoalcali is perceived in the community as a potential employer and has received around 3,500 CV´s from a vast array of technical and professional profiles. All consider the Company as a great opportunity to develop their professional career.

The Company plans to create a training plan which will operate in parallel to its recruitment plan. This will provide the necessary training in order to meet the future needs of the Company. A Talent Management Plan has been developed and will be further refined to ensure that talented employees are retained by the Company.

6.1.2. Investing in Training

Recently, the Company has increased its investment in training activities for employees. These not only include specific activities but also complementary general courses allowing employees to attend English classes, Communication classes, and computer program classes, etc.

6.1.3. Performance Indicators and evaluations

The Company uses a system of evaluation and development of individual and collective performance, which is evaluated annually. In this process, individual performance is identified and specific training and development plans are designed for each person. The purpose of these evaluations is to provide a complete and objective view of the professional competencies or skills of each employee, providing value added information that allows growth in a single and common direction. The person in charge evaluates the performance, with a comparison to the previous quantitative and qualitative results.

The Company's remuneration policy does not discriminate between gender, race or any other reason, and evaluates the competitiveness and performance.

6.1.4. Corporate Volunteering

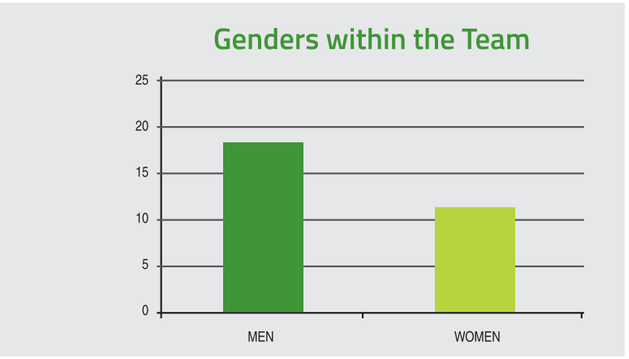
Geoalcali and the Geoalcali Foundation regularly organize programs to involve employees in social projects, such as volunteering with Aspace (Cerebral Palsy Association) by giving their time to encourage the integration of people affected by cerebral palsy through recreational activities. Another of the initiatives was the Solidarity Challenge. This initiative involves adding kilometres achieved by playing sports and recorded using mobile apps and then designating them to different charities and foundations in Navarra.

Solidarity Challenge:

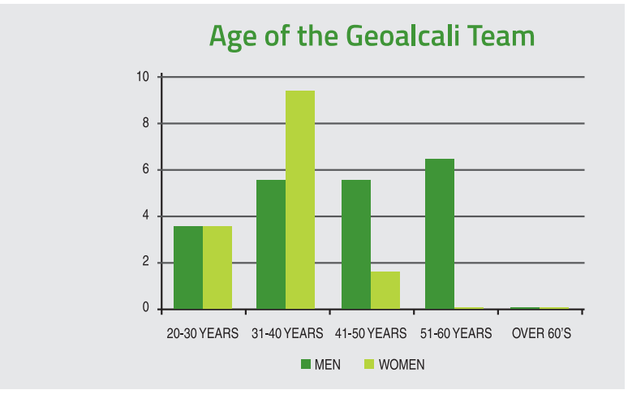
Geoalcali employees joined the Challenge and contributed an average per employee of 157.7km. Therefore, up to 3,270 km were donated to this solidarity cause, giving us second place in the ranking of the participating companies.

6.1.5. Company Statistics

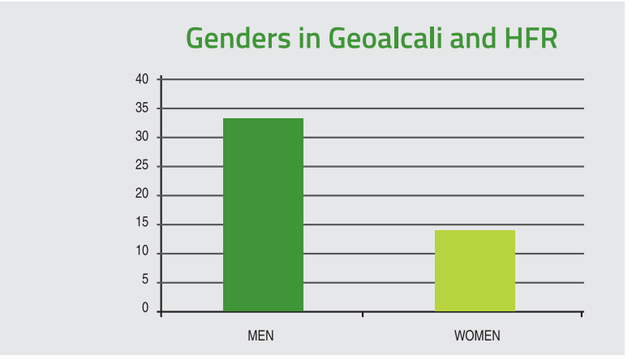
The Geoalcali team currently consists of 39 people including 23 men and 16 women.



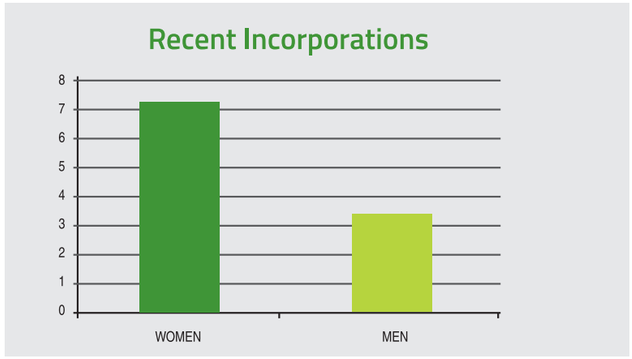
The average age of the team is 39, 41 for men and 34 for women.



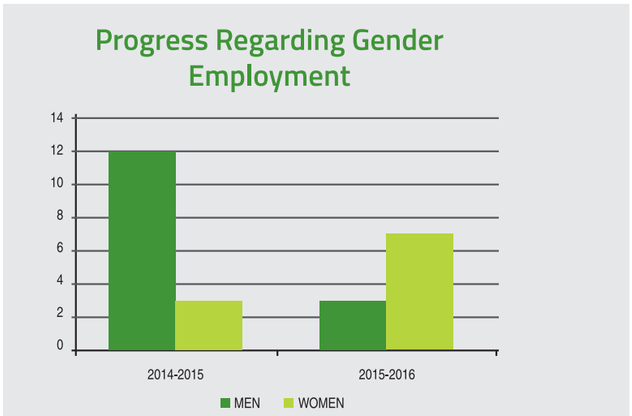
The total number of employees that work at Geoalcali and Highfield Resources is 54, with 27 men and 17 women.



During the period, 12 new people have been incorporated into the team, to give a total of 39. The representation of women has increased during this period.



This has produced progress towards gender equality in our team. The following table shows the incorporation of women.



6.2. Our People: Local Communities

The active participation of companies in the local community deserves recognition and shows that the Company is an interested party and has significant common interests with the community. This participation is required to assist in the Company's development of its "social license to operate".

The Company believes that its involvement within the community is the key to it identifying the different ways in which it can effectively contribute to its development. Geoalcali intends to:

- Promote a higher level of well-being within the community.
- Improve the quality of life in the communities that the project is located in.
- Increase and diversify economic activities to better meet the needs of society.
- Help to eradicate poverty and inequality.
- Help understand economic and social rights.
- Contribute to community development through a balanced distribution of benefits.

The Copenhagen Declaration recognizes the "urgent need to address profound social change, especially poverty, unemployment and social marginalization." The Copenhagen Declaration and the Program of Action committed by the international community to tackling poverty, pursuing the objective of free choice employment and promoting social integration on development goals.

The United Nations Millennium Declaration re-emphasized that, whilst development should be guided and driven primarily by public policy, the development process depends on the contributions of all large and small, public and private organizations. The Millennium Declaration sets out objectives of major development challenges. The active participation of the community contributes, at local level, to achieve these objectives.

Amongst the key areas of community development that an organization can contribute to is job creation. The Company can also contribute through social investments which help generate wealth and income, via initiatives for local economic development, via the expansion of education programs and skills development, by cultural preservation or through community services.

Highfield and Geoalcali recognise the unique knowledge, resources and capabilities of each impacted community. As a result, the Company has focused on projects which are tailored to each community's individual needs.

This approach is also important to underpin a shared vision and a common understanding of priorities required when promoting sustainable results.

As described in the International Standard 26000, regarding Corporate Responsibility, community development is much more than philanthropy, and should not be used as a substitute for participation in other socially collaborative activities. It is not an isolated gift to the community, but rather an ongoing relationship between the organization and the community. Highfield has created a multitude of agreements with the local communities, associations, foundations, social entities and representatives of the involved communities, which demonstrates a positive example of the Company´s values at work in the community.

The Company aims to adhere to the Aarhus Convention, based on Principle 10 of the Rio Declaration, which seeks to implement its business activity in an environmentally respectful manner, via the adequate protection of its environment, being aware that every person has the right to live in an environment that guarantees their health and well-being.

The Company recognises that residents must have access to information and so be willing to participate in communicative processes that allow the resident to submit their queries in order to make better decisions and apply them more effectively.

By enabling these processes, Geoalcali allows public authorities to comply with the Aarhus Convention, which recognises accountability and transparency of the process in decision making and helping to ensure the sustainable development of its projects.

6.2.1. Active and Transparent Communication

The participation of stakeholders is guaranteed through the public exposition procedure that is a legislated part of the Environmental and Social Impact Assessment ("EIA"). This process involved consultation and submissions of questions from all of the impacted town councils, administrative institutions and other stakeholders, including invidiuals, within the project area.

The legislation requires a non-technical summary of the project to be generally accessible to all stakeholders. This summary is used, together with the other documentation associated with the EIA, in the public information procedure of each project.

In addition to what is legally required, the Company maintains open meetings with the residents of the project area, with local ecological associations and other project stakeholders to continue to answer questions on the project, listen to the community and implement any improvements derived from these communicative processes.

In addition, the Company has implemented a grievance mechanism, which is another means of guaranteeing stakeholder participation. This is carried out in accordance with the Internal and External Communication management procedure of the Integrated Management System. Highfield is obligated to properly receive, register and manage any complaint or suggestion received through the various channels that are open and accessible to all the public (website mailbox, email and post, etc.).

Another channel of communication where the performance of the Company is registered is the Company´s Sustainability Report. This report measures the activity of the Company, establishing the objectives committed to sustainability, which reflect all relevant material aspects of the Company and how they have been addressed, with emphasis on the social, environmental and economic relationship of the Company. In 2014, the Company established the Geoalcali Foundation to bring the community closer, actively listening to their needs and concerns.

Communication Channels

• Talks

The Company regularly organises different informative talks and presentations on the project which provides an additional forum to hear the concerns of those stakeholders.

Presentation	Month	Year	Contents	Location	Attendees
Sangüesa	7	13	Project Presentation Facility Location Social and Economical Benefits of the Project	Culture Centre	200
Pintanos	5	14	Social and Economical Benefits of the Project Investigation Permits Positive and Negative Examples of other Mines Fauna Diversity Salinization of Reservoirs Visual and Acoustic Impact (Vibrations and Vehicles) Yesa and Seismicity	Town Hall	50
Undués de Lerda	6	14	Project Presentation Facility Location Social and Economical Benefits of the Project	Town Hall	10
Undués de Lerda	11	14	Facilities Impact of Environmental Research Social Benefits in the Community	Town Hall	20
Javier	2	15	Project Presentation Facility Location Social and Economic Benefits of the Project	Town Hall	20
Sangüesa	2	15	Social and Economic Benefits of the Project Positive and Negative Examples of other Mines Fauna Diversity Salinisation of Reservoirs Visual and Acoustic Impact (Vibrations and Vehicles) Yesa and Seismicity	Culture Centre	200
Sos del Rey Católico	7	15	Project Presentation Facility Location Social and Economic Benefits of the Project Positive and Negative Examples of other Mines Salinisation of Reservoirs and Preventative Measures Impact on the Fauna Visual and Acoustic Impact (Vibrations and Vehicles) Dust Clouds Yesa and Seismicity	Function Room	100
Lumbier - Institutional	9	15	Positive and Negative Examples of other Mines Fauna Diversity Salinisation of Reservoirs and Preventative Measures Visual and Acoustic Impact (Vibrations and Vehicles) Yesa and Seismicity Dust Clouds	Town Hall	5
Urriés	10	15	Project Presentation Facility Location Social and Economic Benefits of the Project Positive and Negative Examples of other Mines Fauna Diversity Salinisation of Reservoirs and Preventative Measures Visual and Acoustic Impact (Vibrations and Vehicles) Dust Clouds Facilities Yesa and Seismicity	Town Hall	15
Cinco Villas - Institutional	2	16	Positive and Negative Examples of other Mines Fauna Diversity Salinisation of Reservoirs and Preventative Measures Visual and Acoustic Impact (Vibrations and Vehicles) Dust Clouds Yesa and Seismicity	Ejea de los Caballeros Civic Centre	30
Sangüesa	6	16	Geoalcali's Voluntary Public Participation Process was carried out by an external company and an independent socio-economic analysis. A designated session was organised to collect suggestions from the residents.	Town Hall	100
Sos del Rey Católico	6	16	Geoalcali's Voluntary Public Participation Process was carried out by an external company and an independent socio-economical analysis. A designated session was organised to collect suggestions from the	Town Hall	20

• Official Communication with the Administrations

The Company has maintained communications with the competent bodies through the systems that the legislative framework makes available to companies. These are official communications, consultations, requests for permits and requirements, all accompanied by the necessary technical documentation.

• Face to Face Meetings

The Company regularly holds meetings face to face with stakeholders including the state, regional and municipal administrations, other impacted associations as well as individuals to inform them first-hand about the Project and its evolution.

• Public Exposure of the Process

During the Public Exposition of the Project, the non-technical summary of the EIA, which is a legal requisite of the application process, was made available to all stakeholders for their review and comments.

• Updates to the Website

The website www.geoalcali.com is updated when relevant information about the project is available. This website provides various pieces of information including location of the project, the permits under application or received, as well as dates and statuses of each permit. It also contains a news section on the project and the progress of each of the Company´s corporate and CSR milestones. The website also has an active contact tab, which is open for queries or suggestions from anyone who wishes to interact with the Company in any way.

• Sustainability Reports

Additionally the Company publically reports on the most important social and environmental aspects of its activity through a Sustainability Report constructed according to the Standardised GRI ("Global Reporting Initiative") on Sustainability Reports version G4 and which will be published annually.

• Stock Market Communications

Highfield Resources is listed on the Australian Stock Exchange (ASX) and has an obligation to release all material information via official stock exchange communication channels.

• Information Brochure

Information brochures created by Highfield are used to articulate and explain the highlights of the project. Any person

can register to be part of the database of Geoalcali stakeholders. These brochures are distributed throughout the local area surrounding the Company´s activities.

Town Councils:

- Sangüesa
- Liédena
- Sos del Rey Católico
- Javier
- Undúes de Lerda
- Urriés
- Lumbier
- Sadaba
- Castiliscar
- Petilla de Aragón
- Aibar

Social Services:

- Sangüesa Region
- Cinco Villas/Ejea de los Caballeros Region

Adefo

Cederna Galalur

Sangüesa Trade Association

Plan de Participación y Comunicación Pública de Geoalcali

Public talks and working sessions with local communities

• Public Participation Plan

The Company is committed to transparency and has voluntarily carried out a Public Participation Plan, following the recommendations issued by the OECD (The Organisation for Economic Co-operation and Development) on public participation processes, as well as legal recommendations of public policy processes developed by the governments of Navarra and Aragon.

Geoalcali has shown its commitment to the community and confirms its eagerness to be a good corporate citizen. A pioneer in this sector, we are the first private business in Navarra or Aragon with an industrial project in development, which has voluntarily submitted to this methodology.

These open processes are useful in order to listen, collect and take into account the opinions of the residents through talks and workshops. The methodology allows us to collect via community surveys, those suggestions that can be adopted in order to improve the project. Geoalcali held workshops with the residents of Aragon (Sos del Rey) and Navarra (Sangüesa) on 7th and 8th June 2016 respectively.

The conclusions of the process and the commitments derived and are therefrom adopted by the Company for its operations phase are as follows:

Information

1. First Recommendation.

"We recommend that the Company improves the communication plan by issuing documents and newsletters to all homes, completing said process with web space and informative talks."

Communication with Stakeholders

Open dialogue with stakeholders is paramount to the success of the Project. It is important to assess who are the stakeholders are and their relevance to the Project.

2. Second Recommendation.

"We recommend that the Company continues to hold meetings with stakeholders such as administration, local authorities, associations and opinion leaders so they can provide further points for improvement."

Institutional Information

The results of the public participation plan is evidence that the community gives great value to, and demands information from, public entities.

3. Third Recommendation.

"We recommend that the implicated administrations inform the community of reports and results of their administrative processes with the business plan."

Access to the Participation

During the Public Participation Process we have insisted on the need to reach the "silent majority". A part of the community that, due to the social management of their area, prefers to stay silent but is still a part of the community.

4. Fourth Recommendation.

"We recommend that the Company opens individual proposal mechanisms that would ensure anonymity, either through suggestion boxes in public buildings or using the internet."

Local Employment and Development

One of the concerns of the community is that the jobs created are for "outsiders". Another is that the business plan should energise local development.

5. Fifth Recommendation.

"We recommend that the Company, in the employee selection process, incorporates a criteria that prioritises the residents of the area in equal terms as other candidates. Involvement of the Company in providing a specific training for the residents of the area depending on the demands of the job. To facilitate the recruitment of people at risk of social exclusion and/or in difficult employability circumstances."

Legality

Complying with the established laws and regulations is a core requirement for the success of any project. (European, state and regional). It's important to carry on emphasizing the established legal requirements for this type of project.

6. Sixth Recommendation.

"We recommend to the town councils of the regions, to hire a control technician to verify compliance with the regulations of the approved project; with regular information to the regions as well as the residents and the Company."

Clean Technology

The prioritisation of the use of clean technologies has been evident in feedback from the local communities and other affected stakeholders.

7. Seventh Recommendation

"We recommend that the Company focus on the use of clean technologies within the processes of extraction, logistics, and impact."

Continuous Evaluation and Improvement

Continuous evaluation of the implications relating to the development of the Project and any associated improvements are an important part of retaining the social licence to operate.

8. Eigth Recommendation.

"We recommend that the Company reports publically and periodically on the improvements included in its process."

Safety

Safety is a key focus for the Company. This includes the safety of the Yesa Reservoir, which has been a focus of the anti-mine platform.

9. Ninth Recommendation.

"We recommend that the State Administration, as well as the regional Administrations, provide accurate information on geological incidents in the area, if envisaged and/or happen."

Institutional Coordination

The business plan relies on several public administrations with diverse responsibilities and competencies.

10. Tenth Recommendation.

"We recommend that inter-institutional coordination channels between state local and regional administrations are established for monitoring of the Project which is attended by senior officials of each administrative body."

Social Projects

The Geoalcali Foundation is a non-profit organisation whose core vision is the equal development and sustainability of the regions surrounding the Project.

11. Eleventh Recommendation.

"We recommend that, according to the results of the Public Participation Process, the Geoalcali Foundation's prime focus is on projects for the youth, seniors as well as the promotion of projects of natural value."

Social Return on Investment

The Social Return on Investment (SROI) framework is focussed on measuring and quantifying the social impacts of projects undertaken by the Company.

12. Twelfth recommendation.

"We recommend that the Company develops an impact assessment of its projects from the perspective of Social Return on Investment (SROI) reporting their results."

Land Management

Stakeholders have shown the need to improve land management in the project area and to establish greater coordination between the Sangüesa and Cinco Villas regions.

13. Thirteenth recommendation.

"We recommend to the regional administrations that the design of land management guidelines of the two regions which contemplate the new regional planning to include the Muga Project and plan the improvements to be incorporated in allocations and infrastructures to maintain and increase quality."

A summary of the Public Participation Process is available on the Geoalcali website at http://www.geoalcali.com/noticias/novedades-del-proyecto/geoalcali-recibe-las-conclusiones-del-proceso-participacion/

The Company is currently developing an Action Plan to put in place firm initiatives to implement the recommendations from the process. These recommendations also form part of the continual improvement process.

Continual improvement is a fundamental tool for the Company. It allows it to be more efficient and competitive.

Below we refer to some improvement processes to include in our Public Participation and Communication Plan ("PPCP")

i. Suggestion Boxes:

The Company will make a series of mailboxes available to all residents with informative documentation as well as a form in order to know first-hand the needs, doubts and questions of the residents, through a traditional mechanism so as to attend to all, including those who do not have access to the internet.

ii. In-Situ Exhibition

Geoalcali is in talks with different institutions to allocate a section of the facilities of these institutions to a semi-permanent exhibition for the Muga Mine project.

iii. Newsletter

The Company intends to issue a newsletter on a regular basis (once per quarter) for its stakeholder database. Newsletters will be published or emailed to those who have requested it.

Town Council web Collaboration

The different town councils in the area can streamline the PPCP by a specific information tab on the Project on their websites. Planned agendas for meetings and planned talks will also be published in this manner.

6.3. The Geoalcali Foundation, Communicates its Values to the Community

Via the Geoalcali Foundation, the Company has helped to develop a large number of initiatives, promoting a positive relationship with local communities.

Since its inception, the Geoalcali Foundation has already surpassed 60 projects. These were the initiatives developed in the second half of 2015 and the first half of 2016.

1. Participation in Accessibility Campaign (September 2015)

Gure Sustraiak is a non-profit organisation located in the Navarran village of Ollo that provides education services on sustainability, leisure activities, remedial, residential and even tourism.

A collaboration agreement with Aspace Navarra was created which which focusses on “Family Respite” and “Holiday” programmes for people with disabilities or cerebral palsy and their families in the Gure Sustraiak installations. This agreement is funded by the Geoalcali Foundation, which contributes the extra cost to families for the care of people with cerebral palsy.

2. The Geoalcali Foundation Introduced the “Crecer Juntos + Sanos” (Growing Healthy Together) Programme (October 2015)

Geoalcali Foundation, Varazdin Foundation and Josenea Association, joined together to launch the school program “Growing Healthy Together”. The purpose of the programme is for school pupils in Navarra and Aragón to be made aware of the importance of caring for the environment as well as maintaining a healthy lifestyle and diet. To achieve this, hundreds of “health kits” were distributed with useful information about planting seeds, growth and looking after plants and a food calendar that the pupils should follow to promote healthy diets. In addition, it includes recipe sheets and two sachets of potato and tomato seed samples.

The programme was accompanied by visits to Lorenea and Parque de los Sentidos in Noain and Josenea in Lumbier. The children visited organic vegetable gardens and received practical lessons on what had previously been taught in school.

3. E-learning for Cinco Villas (October 2015)

The region of Altas Cinco Villas and the Geoalcali Foundation reached a collaboration agreement giving new technology to all the residents in the region.

A special agreement aimed at youths and seniors in the region. It will be used, for example, so that seniors don’t have to travel to other towns to get this type of training.

With the support given from the Geoalcali Foundation, the region can extend their opening hours and acquire additional IT material that they require.

The agreement is part of the CSR policy that the Company’s committed to and amongst other things, is a fundamental pillar for Geoalcali as part of its social and economic development.

4. Collaboration with Varazdin Foundation (October 2015)

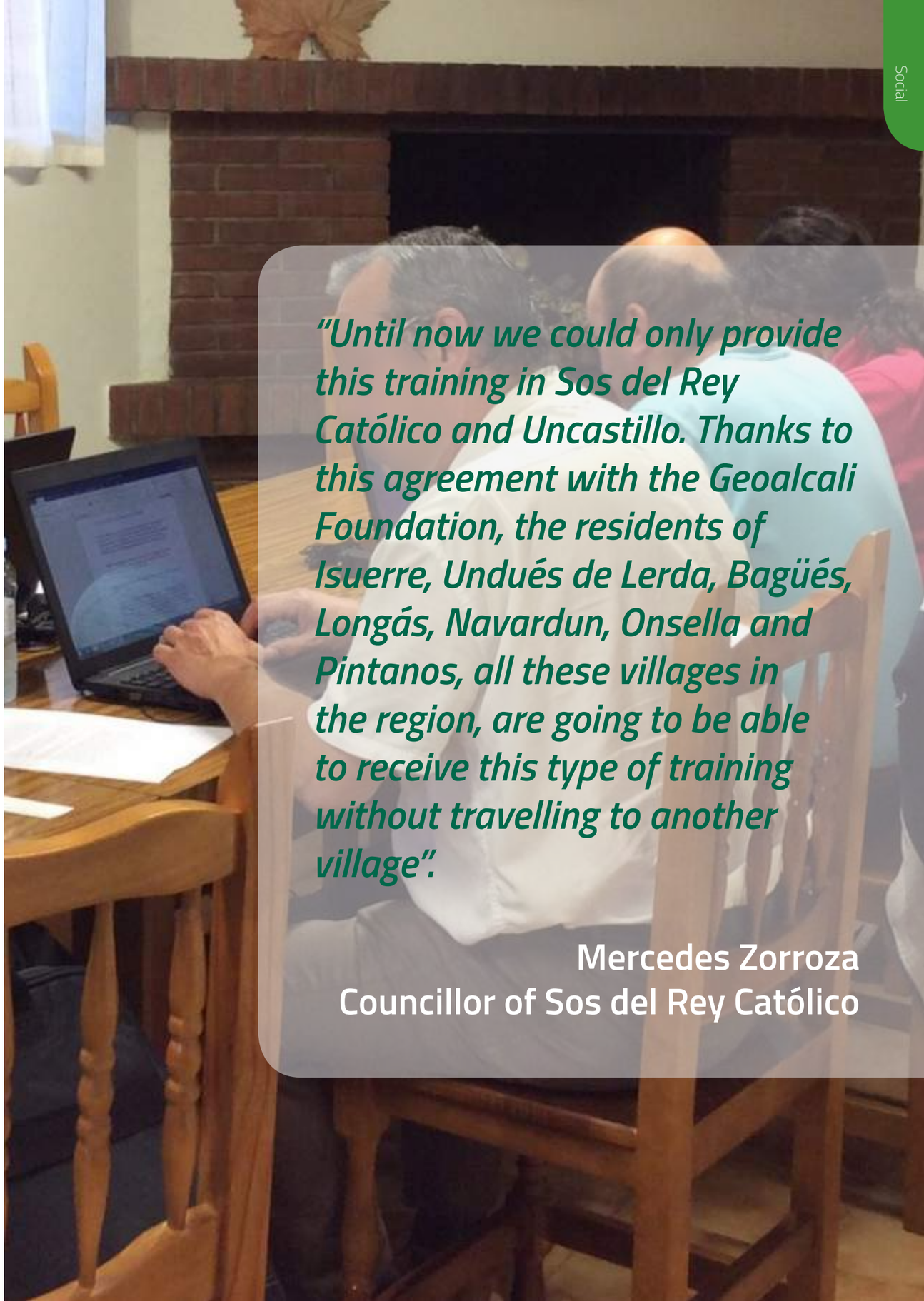
As a result of the collaboration agreements signed between the foundations, hundreds of school children from all over Navarra are now aware of the importance of taking care of the environment and the promotion of ecologically friendly agriculture.

One of the funding objectives of the Varazdin Foundation´s work is to collaborate with public entities. Another is the involvement of companies or foundations that, like the Geoalcali Foundation, contribute to projects of this nature.

The symbiosis between ecological awareness and helping people with difficulties was obvious and therefore the Geoalcali Foundation didn’t hesitate to support the work of the Varazdin Foundation.

5. Remodelling of the Social Club in Urriés (October 2015)

The Geoalcali Foundation signed an agreement with the Urriés town council to revive the social club in the area. The club, which is especially important for the elderly in the region, was in need of extensive renovation. The agreement with Geoalcali Foundation is to finance part of the refurbishment works of the new centre, with the hope that it will revive and consolidate the population of Urriés.



“Until now we could only provide this training in Sos del Rey Católico and Uncastillo. Thanks to this agreement with the Geoalcali Foundation, the residents of Isuerre, Undués de Lerda, Bagüés, Longás, Navardun, Onsella and Pintanos, all these villages in the region, are going to be able to receive this type of training without travelling to another village”.

Mercedes Zorroza
Councillor of Sos del Rey Católico

6. Support of the Parents Association of Luis Gil Public School, Sangüesa (November 2015)

The Geoalcali Foundation collaborated in developing the education of children and young people of the region by donating computing equipment to facilitate bringing technology and education together.

The public School “Luis Gil” in Sangüesa was one of ten public educational centres in Navarra that participated in the integration project, which developed different activities aimed at the curricular integration of ITC skills in the teaching field.

7. Nature Trails and Tours in Javier (November 2015)

The Geoalcali Foundation participated in the distribution and promotion of information relating to nature trails in the area of Javier. The town council of Javier and the Montaña de Javier club edited booklets on 6 nature trails that promote visitors to the area enjoying the local environment. These documents can be downloaded on the website of the Javier Council.

8. Tourist Signage in Sos del Rey Católico (November 2015)

With the aim of improving and energising the promotion of tourism in the area, as well as adding value to its historic complex, the town council of Sos del Rey Católico has installed several signs and historical heritage and tourist information points in places of interest.

Sos del Rey Católico is one of the most attractive towns in the entire province of Zaragoza. Its history includes reference to its illustrious son, the monarch Fernando the Catholic.

The historical past of the town is one of the main contributors driving it as a tourism destination. The commitment of its residents to keep it in a magnificent state of conservation has been extremely important to this designation. Since 1968 it has been a National Historic-Artistic Set in Spain.

9. Corporate Volunteering (December 2015)

The Geoalcali Foundation organises programs to involve employees in social projects, such as volunteering with Aspace, allowing employees to donate their time, and therefore the Company’s time, within the community on various projects. Geoalcali is keen contrinutor to this initiative.

10. “I.E.S. Sierra de Leyre” Institute in Sangüesa (February 2016)

The Foundationhas signed an agreement with the IES a Sierra de Leyre Institute to acquire diverse computer material to integrate, innovate and research by using ICT in the centre.

The participation of the Foundation in this project represents a commitment to improve local development through exposure to, and training in, information technology.

11. Sport in Navarra (February 2016)

Aizkora is a minority sport in Spain and playing at a competitive level is expensive. The wood, usually beech, is scarce and increases the cost of participation.

The Geoalcali Foundation is sponsoring the sporting equipment manufacturer and therefore indirectly supporting a sport deeply rooted in the history of northern Navarra. Through this sponsorship, the Company continues to promote the diversity and richness of the culture of the Navarra Region.

12. Restoration of the Old Landfill Site in Liédena (February 2016)

The Geoalcali Foundation sponsored the plan to restore an old landfill site, from its closure to its restoration, turning it into a lookout.

The Mirador de la Súbita (as it is called locally), is already a new place of interest for visitors. Through a second Foundation collaboration, Josenea, which is expert in restoration and maintenance of landscapes and gardens, the Company will support the repatriation of this land.

13. History Culture and Tourism in Castiliscar (February 2016)

To promote the cultural heritage of the regions in which it operates, the Geoalcali Foundation sponsored the recreation of the Hospital of the House of the Order of St. John of Jerusalem, a hospital with connections to the Church and the chapel of Christ, that together create a tourist package which introduces Castllicar on the Cinco Villas Roman route, the walk joins Sos del Rey Católico with Uncastillo.

Castiliscar houses historical treasures that complements the other existing villages of the area and which together form a privileged enclave for tourism.

14. Improvements to the Camino de Santiago in Undués de Lerda (February 2016)

Undués de Lerda, like many small pueblos in Spain, is fighting a constant battle against depopulation, generally associated with migration to larger urban centres. The Geoalcali Foundation has undertaken work to improve the pilgrim's hostel, on the Camino de Santiago, which offers pilgrims a well-equipped hostel in the town.

15. Consortium lands of Javier – Xabierren Lurrak (February 2016)

Tierras de Javier, which includes ten town councils and two ministries, in addition to other entities, with the sponsorship of The Geoalcali Foundation created the first edition of an explanatory brochure detailing the cultural, historical and service of each of the regions that make up the Consortium, some lands that, as the motto chosen says "are as diverse as they are unexpected".

The Geoalcali Foundation sponsored the creation of informative booklets that will be illustrated with diverse photographs of the landscape, towns, scenes, etc. of the area to promote tourism in the region.

Tierras de Javier is an association of public and private entities dedicated to the touristic promotion of the region.

16. Association of Retailers of Sangüesa and The Geoalcali Foundation Supporting local trade (March 2016)

The Geoalcali Foundation donated 5,000 recyclable bags to the Association of Retailers of Sangüesa, as it wants to support the promotion of local trade and help small local businesses.

Almost 70 companies belonging to the Association have already begun using these bags. From now on the residents and tourists who use these local services will receive a free, completely ecological, bag that they can reuse without having to resort to plastic bags which are harmful to the environment.

17. The Geoalcali Foundation and SEO Birdlife (March 2016)

SEO Birdlife (Spanish Society of Ornithology) is a pioneering non-governmental organization for the conservation of nature and biodiversity in the country. For over 60 years, its objective has been to conserve wild birds and their habitat. The Geoalcali Foundation aims to promote, and energise, the region as well as protect and conserve the Environment.

Both entities, committed to the same values in regards to the conservation of the environment, have decided to undertake a collaborative project to promote knowledge and preserve biodiversity. It is an extremely important agreement for the conservation of habitats and implement measures to monitor the birds in the region and give training in rural areas on the management of slurry, rodenticides, small game and custody agreements of the land.

18. Region of Cinco Villas – Social Services (March 2016)

The Geoalcali Foundation supports the development of social services in the Region of Cinco Villas by providing more resources to meet the needs of all the people in the community. Basic social services are financed by the Cinco Villas Region through annual collaboration agreements, which regulate the financing of the services maintenance.

19. A Medieval Concert on the Anniversary of the Birth of Fernando El Católico (March 2016)

The Geoalcali Foundation joined with the town council of Sos del Rey Católico in the organisation and financing of a medieval concert in the Fernandinas Days - "The birth of a king".

This occasion was celebrated as an event commemorating the anniversary of the birth of Fernando II of Aragón in his locality (Sos del Rey Católico), and coincided with the the anniversary of 500 years since his death. This celebration has been declared a Festival of Tourist Interest in Aragon.

20. Creation of Job Positions with the Varazdin Foundation (March 2016)

The Varazdin Foundation and the Geoalcali Foundation have reached an agreement to expand their work towards an education that emphasises the importance of a healthy sustainable diet. The initiative is aimed at pupils in schools in Navarra and Aragon. As a result of this agreement, the Varazdin Foundation also manages part of the Geoalcali Foundation's "Growing Healthy Together" programme, creating an additional position of employment.

Since 1997, the Varazdin Foundation has been working to assist people at risk or in situations of social exclusion engaging through their social centres, supporting employment and supporting protected social work projects.

In collaboration with SEO BirdLife, the Geoalcali team put up nesting boxes to improve and monitor biodiversity in the region.

21. Invigorating Rural Youth (March 2016)

The Geoalcali Foundation collaborated with the Jóvenes Dinamizadores Rurales (Invigorating Rural Youth) (“JDR”) project, which aims to involve young people in rural areas in the development of their community, promoting entrepreneurial attitudes and initiatives that reenergise their communities through peer education, training and experience exchanges.

JDR is a cooperation project promoted and developed by nine local action groups in Aragón present in different regions of the Community, including the region of Cinco Villas.

22. Social Services in the Cinco Villas Region (March 2016)

In collaboration with Social Services of Cinco Villas, the Geoalcali Foundation is involved in and supports the services of psychological care for youths in the region of Cinco Villas. The Foundation considers that psychological intervention for children and/or young people who are victims of sexual violence is important due to the repercussions that this type of violence has on their development.

The aim is to improve the psychological well-being of children and prevent possible violent behaviour in the future, as well as avoid replicating these behaviours learned by observing violence.

23. Supporting the PETÖ Method, Aspace (April 2016)

The Petö method is a comprehensive and integral neuro-rehabilitation and re-education system that combines pedagogical principles with the bases of neuro-rehabilitation. This method is used to maximize the functional development of the affected person, to promote their autonomy, as well as to prevent possible factors that may lead to their deterioration.

Aspace Navarra offers this program in Virgen de Orreaga, a special education school that attends to children and young people with cerebral palsy and other related conditions. The Foundation’s collaboration allows these people to receive the appropriate attention in these facilities.

24. Launch of a Babyteca in Sos del Rey Católico (April 2016)

In 2015, the parents of Sos del Rey Católico created the “Sos del Rey Católico Cultural, Educational, and Leisure Babyteca Association”. Since then, the historic and beautiful town of the region of Cinco Villas has had a nursery. The Foundation, along with the local council, provided the funding required to set up the nursery.

The new Babyteca in Sos, has created a new job, and every day up to six 0-3 year olds are cared for. With 400 residents and an aging population, Sos seeks to maintain its own services and, and pre-school care is one of those services.

25. Improvements to General Services in Liédena (April 2016)

Liédena, in the foothills of the Sierra de Leyre, a few kilometres from the Yesa reservoir and Sangüesa, is attempting to improve the general services of the town.

In collarboration with the Foundation, the town has implemented a General Services Improvement Plan, whose activities include the acquisition of equipment that will contribute to improving the quality of events and activities organized by the council.

26. Solidarity Challenge by the Diario de Navarra Foundation (April 2016)

Walking, cycling, running.... Every time our workers did any kind of physical activity, in addition to taking care of themselves, they added kilometres to a social cause and helped to achieve the challenge given by the Diario de Navarra Foundation. The challenge was undertaken by 10 of the most important companies in Navarra including Geoalcali, who through its Foundation, exchanged the workers steps into donations to support those who need it most.

The aim of the collaboration between the Diario de Navarra foundation and the Geoalcali Foundation is mutually beneficial, supporting a cause with peers for a common charity goal whilst also promoting a corporate program that promotes a healthy lifestyle for their employees.

27. Cultural Days through the Middle Ages in Urriés (May 2016)

The Urriés Town Council together with advice from the Restoration of Aragón Castles Association (ARCA), representatives in Aragon for the Spanish Association of Friends of the Castles (AEAC), organized the first cultural day for the Middle Ages.

The idea of the day was to give value to the enormous historical heritage in Urriés in the hope of boosting the economy and the development in the town through tourism.

In line with its commitments to the economic and social development of the region, the Foundation supported this important initiative.

Access to educational areas for children is key to sustainable development. We are committed to invest in these areas and help with the improvement of the work-life balance of the families in the region.

28. XXVI Gran Prix in the City of Sangüesa (May 2016)

The Geoalcali Foundation together with the XXVI edition of the Grand Prix for Cycling in the City of Sangüesa “Junior Category” promoted the sport along a route of 80 km through the towns of Javier, Sangüesa and Liédena.

Organized by the Villavés Cyclist Club, this event is one of the most important and first on the calendar for young promises of cycling in Spain in the junior category. The race happened, with thanks to the participation of the Foundation, and the sponsorship of the Town council of Sangüesa.

29. Intelligent Fertiliser Project with Collaboration from CITA (May 2016)

The mission of the CITA of Cinco Villas is to cover the diverse needs of the agricultural sector in the region of Cinco Villas. The Geoalcali Foundation, together with the Technological Centre in Cinco Villas and CITA (Aragón Agri-Food Technology Research Centre), is conducting a study on the behaviour of maize (common culture in the area) with the use of potash in different types, doses and forms.

30. Lumbier Institute (May 2016)

The Geoalcali Foundation has supported the updating of computer licenses for mechatronics students of the Sierra de Leyre Vocational Training Institute in Lumbier. The students can access software and simulators with which they can practice their theoretical knowledge and make use of other materials adapted to the current needs of the labour market.

31. Handball Club in Sangüesa (May 2016)

The Geoalcali Foundation supports sport and within the framework for promoting a healthy lifestyle, an agreement has been made with the handball club of the Cantolagua Sports Club. As a result of this agreement the young handball players in Sangüesa have had their equipment and sports gear replaced. The Cantolagua Sports Club in Sangüesa has several disciplines of sport. It has football, basketball, handball (founded in 1970), pelota, judo, swimming and skating. Handball is played in the second division in Navarra, and in 2015 they played in the national first division.

32. Equipment Improvements in Sos del Rey Católico (May 2016)

In collaboration with the Geoalcali Foundation, the City Council of Sos del Rey Católico has been able to acquire materials which will be used to renovate the seats in the park within the Cinco Villas region. In particular, chairs which will be installed and replaced will be an improvement for the spectators who attend events or activities organized in the Palacio de Niño.

33. Juan Migueliz Leyre Trail Race (May 2016)

The Geoalcali Foundation together with the Trotecuto Mountain Club organised a mountain race, specifically, the Foundation provided assistance in drawing up plans and road signs, improvements to the website, and helped with medical care, etc.

The race that takes place in June is celebrated to honour Juan Migueliz, a mountaineer from Sangüesa who died in December 2015 in a mountain accident.

The Mountain Race “Juan Miguéliz-Leyre Trail” aims to discover the hidden mysteries in the Sierra de Leyre, bringing the runner and visitor to the most spectacular corners of the mountain and also the most intimate parts, and above all, mountaineering.

34. Javier Auditorium Concert (May 2016)

The Geoalcali Foundation together with the Javier Town Council organised a Concert in the Javier Auditorium to promote, boost and energise the area.

The town of Javier has its origins next to the castle which is its name sake. Its location, near to the Aragón boundary, in an impressive valley, a construction from the 10th to 11th century built on rock constructed to be defensive, it was declared a building of cultural interest by the Provincial Decree of February 2nd 1994.

35. End of Handball Season Celebration in the Cantolagua Sports Club (May 2016)

The Geoalcali Foundation together with the Handball club of the Cantolagua Sports Club celebrated the end of the season with titles and awards obtained in the different categories.

Investment in R+D to optimise the use of fertilisers in the region.

36. Artisan Cheese Factory "Roncesvalles Orreaga" Aspace (May 2016)

Since 2010, the Navarra Aspace Foundation for employment manages the "Roncesvalles-Orreaga" artisan cheese factory, located in the experimental farm of INTIA (Roncesvalles). It produces different types of cheese, both organic and conventional.

Six years after the first major investment, due to the demand for production, it was necessary to expand the facilities and renovate the maturation and conservation chambers, made possible with the economic support of the Geoalcali Foundation.

Six local people with disabilities work proudly, knowing that their hard work will be savoured by people from all over the world.

37. Collaboration with the Varazdin Foundation which Created two Job Positions (May 2016)

Varazdin Foundation has as main goal of facilitating the socio-labour insertion of people in situations of exclusion, or at risk of being excluded, and providing them with training to become contributing members of the local labour force. Varazdin carries out various business activities employing these marginalised groups including the manufacture and marketing of reusable glass. Recycling glass in this manner and for this purpose has many positive impacts, especially in an environmental sense. The Geoalcali Foundation contributed to the acquisition of a professional glass washing machine, creating two new jobs within the Varazdin Foundation.

38. Drivers Against Child Abuse (May 2016)

Drivers against Child Abuse, (MOCAI), is an organization that was created with the intention of providing a safer environment for young victims of abuse. Its mission is to find support for minors who feel threatened, so that they can learn to not be afraid of their environment and are able to develop as individuals. This organization aims to help the victims by offering them protection.

MOCAI together with regional authorities for the protection of minors and the Geoalcali Foundation organised an informative day for parents and children associated with problems of child abuse and the work done by the association to combat it.

39. Taekwondo Kwon Latorre School Gym (June 2016)

An agreement between the Taekwondo Latorre School Gym and the Geoalcali Foundation aims to make Taekwondo accessible to the local community. In addition, it provides sponsorship to the school's competitive teams.

The sport of Taekwondo - one of the most popular in Sangüesa and the region - serves to improve, among others: the development of psychomotricity, the capacity of self-defence, physical condition and stimulating the capacity of concentration in young people and adults. In addition taekwondo, it combines values such as tenacity, effort and companionship from a very early age.

40. Skating club - Cantolagua Sports Club (June 2016)

The local Cantolagua skating club is the place to go in this area for all the fans of this sport. It is a club that has a great school and that works with a high number of sport federations.

Through the agreement, The Geoalcali Foundation contributed to the continuation of skating in the Club by financing new competition suits required by the Federation.

41. Support of the Parents Association of Gabriel Valentín Casamayor Public School in Aibar Oibar (June 2016)

An agreement between the parents association of Gabriel Valentín Casamayor Public School in Aibar/Oibar and the Foundation has provided access to new computer equipment and a digital camera to support teaching efforts in various subjects.

The agreement is part of the Foundation's commitment to the economic and social development in the area it's based, even more so with this educational centre that has just celebrated its 50th anniversary.

42. Creation of a Website for the Town Council of Liédena (June 2016)

The Geoalcali Foundation contributed to the creation of a municipal web page in order to give greater visibility to the area, offering a better service to residents and facilitating contact between the institution and the residents through the use of new technologies.

Awareness Campaign on Sustainable Food and Agriculture (international Environment Day 2016, Casa Gurbindo – Pamplona)

Liédena offers several tourist attractions, with the Foz de Lumbier as a backdrop, the archaeological remains show that thousands of years ago existed a magnificent rural Roman town. Consisting of more than 50 premises, including an olive press, a winery, thermal baths, stately and servant homes. All of this surrounding a central courtyard. Today the remains of the vigor (mosaics) are conserved in the Museum of Navarra.

43. Immaterial Heritage of Liédena (June 2016)

With the collaboration of the Geoalcali Foundation, the Town Council of Liédena will be able to collect the immaterial heritage of its region, and display it using audio-visual recordings.

Liédena, a small town near Sangüesa, currently has more than 300 residents. In the early 1930's, its population was over 800. A collection of artefacts of the community will be collected and shown due to the agreement between the Geoalcali Foundation and the town council.

44. Tierras de Javier Consortium – Xabierren Lurrak (June 2016)

Tierras de Javier, which consists of ten town halls and two councils has a number of public and private collaborations. The Geoalcali Foundation has, on a number of occasions, provided assistance in the preparation and publishing of explanatory brochures detailing the cultural, historical services offered by each of the towns that make up the region. Following the success of the first edition, the Geoalcali Foundation sponsored the expansion of printing of the informative leaflets on the area, which are illustrated with various photographs of the landscape, towns and scenes.

45. First mountain Ascent of the Petilla Car Competition in Aragón (June 2016)

The Geoalcali Foundation collaborated with Petilla Motor Sport in the organisation of the 1st Mountain ascent of the Petilla Car Competition in Aragón, by helping in the promotion, launch and streamlining of the event. The agreement is bound by the commitment of the Foundation to economically develop the areas it's based in.

46. Collection of the Immaterial Heritage of Petilla in Aragón (June 2016)

The Petilla Town Council in Aragón, with the collaboration of the Geoalcali Foundation, collected the immaterial heritage of its region, to showcase and publicise it. The compilation will consist of photographs collected along the road construction.

Petilla in Aragón is a town located about 70 miles from Pamplona, even though it is in Aragón, it belongs to the region of Navarra. It is a small region whose illustrious residents include Santiago Ramón y Cajal, 1906 Nobel Laureate of Medicine.

47. World Environment Day (June 2016)

Casa Gurbindo is an Interpretation Centre for Agriculture and Livestock located in Aranzadi Park in the heart of Pamplona. Visitors are offered a tour of sensations in which they can discover the importance of agriculture and livestock as the engine of the Navarran economy.

The Geoalcali Foundation collaborated with Casa Gurbindo in promoting and enhancing the agricultural sector, promoting the consumption of local products and developing the necessary resources to improve the perception of society in the primary sector.

6.4. Academic and Proffessional World

6.4.1. Universities

On the 19th May 2016, Geoalcali attended the Spanish Mining Day and presented the geological and technical attributes of the Muga Potash Project. The cycle of sessions was organised by the Mineral Resource and Reserve Specialist Group (GERRM), which is part of the National Mine Engineering Association, together with the School of Mining Engineering of Madrid. The sessions look at the realities and misconceptions of mining, studying a variety of mining projects that contain innovative aspects and contribute to the expertise and awareness of mining activity in Spain. Furthermore, the Company was invited to participate as a speaker at the Spanish Geological Conference to be held in September 2016.

6.4.2. Sponsorship

The Company has participated in the sponsorship of two conference cycles in order to spread the importance of the geology and mining sector.

It has provided its support to the IX International Symposium about historical mining and metallurgy in the European SW, which was held in Madrid during June 2016. The Company's presence was used to publicise its activity in an extensive group dedicated to the history of mining, including Mining Engineers, Geologists, Archaeologists and Economists. Furthermore, active contribution was given to the IX Spanish Geological Congress in Huelva in September 2016.

6.4.3. Investments in Research and Development Projects

Geoalcali has developed a Research and Development investment Project with the Institute of Technological Research from the University of Santiago de Compostela with the aim to:

- Analyse application alternatives and possibilities of biogeochemical mechanisms with Tecnosols and Wetlands (Salt) designed, formulated and created "to the letter" that control the salt solutions potentially produced in the processes of exploitation and benefit Geoalcali.
- Collect basic information for the creation of a conservation and recovery plan for the soil in the mining extraction and potash activity development areas.

The preliminary results of the research have been promising and Geoalcali is interested in continuing to work on this research.

6.4.4. Fertiliser Research to Increase Yield

The Geoalcali Foundation together with the Technological Centre of Cinco Villas and CITA (Aragón´s Centre for research and Agri-food technology) has developed a project to study different forms of fertiliser application to develop research on the efficient performance of fertilisers containing potash and its behaviour in the area of Aragón. Corn has been chosen (as it is a common crop of the area) to perform the different tests, analysing the best formulas to develop high performing fertilisers.

6.4.5. Member Associations

The Company continues to be a member of:

- CONFEDEM – Confederation of Spanish Mining
- AEMINA – Navarra Mining Businesses
- ASBA – Spain Australia Business Association
- PDAC – Canadian Prospecting and Promoters association
- IFA – International Fertilisers Association
- Navarra Marketing Club

This year the Company has also become a member of AEMA (Aragón Mining Businessmen Association). Within the Company's process of continuous improvement, it seeks to associate with companies, universities, agencies and other entities that work in education, innovation and social well-being, especially focusing on the sustainable development of our activity and the intelligent use of fertilizers in agro-industry.

Environment

Preventative Focus

Water Management Planning

Waste Management Planning

Biodiversity

Air Quality

Gas Emissions

Noise and Vibrations

Visual Impact

Actions Taken

Environmental Indicators

7. Environment

To achieve one of the Company's core objectives - protecting the environment - ongoing monitoring and risk mitigation is of vital importance. The mission and vision for the Company is to work towards a sustainable environmental committed business in all phases of its Project.

All activities comply with the relevant environmental legislation. Furthermore, the Company is committed to transparent communication about all its plans with the regions involved and actively solicits feedback to feed in to activities with the purpose of improving them.

7.1. Preventative Focus

All the preventive measures adopted by the Company are detailed in the Environmental Social Impact Assessment (EIA) and in the Muga Restoration Plan.

These measures aim to:

A) Prevent any potential negative impacts on surface and underground

B) Avoid any negative effects on public health, safety and tranquillity

C) To maintain the historical and cultural heritage via choice of site for development and installations of infrastructures.

In addition, the Restoration Plan establishes important and necessary actions for the environmental regeneration and recovery of the areas affected by the activities of processing of the potash, as well as the integration of the Muga facilities in the landscape of the area.

Highfield continues to develop an Environmental Risk Analysis Study of the Project in accordance with Law 26/2007 on Environmental Responsibility. This study aims to identify all possible environmental risks arising from the activity and implement a risk management program. This program pursues the global minimisation of risk through the implementation of preventive and minimisation measures and will be periodically reviewed in search of a continuous improvement of the project.

7.2. Water Management Planning

A hydrological balance of demand/availability has been developed, taking into account the changing climate of the region throughout the year (very dry, dry, medium, humid and extremely humid).

A water monitoring plan has been developed using information derived from a mathematical flow model called MODFLOW supported by the Visual Modflow software program (commercial version 9.1). This software allows simulations of hydro-geological conditions at the Project the site under natural conditions and during future exploitation. Furthermore, it allows the simulation of impacts of any drainage from the project area on the immediate environment and facilities. In its process design, the Company has prioritised the use of recycled water where possible, including the use of storm water and rainwater run-off.

For certain projects, Spanish legislation requires that a process of project competence is carried out. The legislation also gives priority to human consumption over any other use (agricultural or industrial), with the objective of the maintenance of ecological flows.

Muga has been designed to target zero waste throughout the entire process of normal operation. The only waste in the exploitation phase will come from black water, which is non-industrial in origin.

As well as the construction of a wastewater treatment plant, there will also be an installation for the separation of fats and hydrocarbons in the kitchens and workshops. There is also a "Water Risk Assessment Study" (The Water risk Assessment Study is a study that includes the assessment of possible risks in the entire system of water storage ponds).

Rain water management measures will be applied to minimise the drag of particled material. There are no exterior sediment barriers planned because only diversion of external watersheds, not effluent discharges, will be implemented. The perimeter channels are designed to manage floods equivalent to a one in 500 year event.

Methods to prevent erosion on the perimeter channels have not yet been outlined, since they require detailed surveying and geotechnical data. Based on this data, one or all of the following solutions will be proposed: reduced slopes interspersed with breaks; an erosion-resistant slab (large enough aggregate, stabilised oil); planting the bottom of the channel. A specific solution will be developed during the detailed engineering phase.

Erosion minimisation techniques such as formation of terraces have not been considered, given that neither the implantation surface nor the remodelling topography has any steep slopes that could require these techniques.

Main access roads are designed with a maximum grade of 4% and adequate longitudinal and transverse drainage systems. In the project´s water channelling system, external inputs from external watersheds have been taken into account. The renovations projected prevent the creation of gentle slopes in order to avoid the production of erosive phenomenon combined with adequate practice of vegetative repopulation, adjusting the type of vegetation and the method of seeding the remaining terrain.

Areas susceptible to leaching have been designed with an impermeable barrier system to avoid subterranean waters being affected. In addition, a water environment monitoring plan has been scheduled that includes monitoring of subterranean and surface waters.

7.3. Waste Management Planning

Sterile Waste

The Project does not produce any active waste materials that are required to be stored in dedicated storage facilities. The benign waste produced from the mine will be stored in a number of separate storage areas. The storage areas will be repatriated at the end of the mine life. These areas will be configured with adequate gentle slope to avoid erosive phenomena.

Tailings

The Muga Mine project doesn't generate heavy metal waste or rock acid drainage. The necessity to carry out seismological and earthquake studies has been analysed on the basis of the Earthquake construction norms, NCSE-02, approved according to the RD 997/2002 conclusive on the basis of the characteristics of the location make these unnecessary.

With respect to the geotechnical stability of the salt deposits, a stability analysis of the reservoir slopes has been carried out using the computer application Slide using the limit equilibrium approach method, which satisfies balance of forces and moments.

The tailings storage facility ("TSF") is equipped with a double perimeter drainage network, an exterior that collects the external supply waters to the project area (clean water) and an interior that collects the waters from contact with the deposited material (contact waters).

A subterranean water management plan is planned regarding the medium basins (such as which exist in Spanish Legislation) the installation of a water management piezometer above the basin and two below.

Some of the excavation materials will be reused in the waterproof coatings of the TSF. These natural materials will be used in combination with synthetic materials.

Removal of tailings in inland and marine waters is not contemplated.

The Company is committed to reducing the impact of the mine and is working in different solutions for the management of all tailings, including backfilling and a strategy to commercialise the salt by-product in order to achieve the best environmental outcomes.

Leach-Pad Waste

The leachates generated in the saline deposit will be properly collected through drainage and directed to a waterproofed leachate storage pond. These leachates will be used later in the preparation of the paste filling for backfilling; therefore no disposal treatment will be necessary.

At the mine closure stage, the generation of leachate will decrease due to the sealing of the area that will prevent any rainwater entry. Installation maintenance will take place post closure.

General Non-Hazardous Waste

All non-hazardous waste (other than the tailings and slimes) from the auxiliary buildings, dining rooms, changing rooms etc. have been correctly identified. Their annual production has been estimated and the most appropriate format chosen for their management. Priorities will be the reuse and recycling on recovery. For the correct separation and classification of these residues, a clean point with various containers will be installed. Once full, these will be taken away by the authorised manager or municipal services.

The high-density polyethylene geomembranes ("HDPE") is used for waterproofing ponds to minimize this waste. All strategies employeed are aimed at restoring the location to its former state after completion of operations.

Hazardous Waste

All hazardous waste, defined as hazardous waste by the Spanish legislation, has been identified, and the most appropriate means of management have been established. For the correct separation and classification of these residues, a clean point with various containers will be installed. Once full, these will be taken away by the authorised manager. Storage and labelling of this type of waste will be held in accordance with requisite legislation.

7.4. Biodiversity

The surface footprint of the mine and its facilities do not occupy protected spaces. The power line, which provides grid connected power, does traverse some protected areas and a specific plan is being developed to minimise the impact. We have chosen land with a low degree of vegetation which is currently used for low yield, low value, agricultural applications.

With regard to flora, no species in the territory is part of the catalogues of endangered species or the European, national or regional protection directives. No species constitutes an endemism of the territory nor does it find its distribution limit in the study area.

Regarding fauna, the study area constitutes a potential habitat for 171 vertebrate species (9 amphibians, 15 reptiles, 114 birds and 33 mammals). Among them there are seven endangered species collected in the Spanish Catalogue of endangered Species, four birds and three mammals. Among the birds there are three classified as vulnerable (Egyptian vulture, Montagu's harrier and Eurasian stone-curlew) and one catalogued as in danger of extinction (Red Kite). Among the mammals, there are two vulnerable (greater mouse-eared bat and the common noctule) and one endangered species (European Mink). Many of these species, although catalogued in the project environment, do not have habitat in the study area (e.g. greater mouse-eared bat and the common noctule live in hollows of leafy trees and the European Mink in large rivers).

For the studies of fauna and flora the Company has sourced the collaboration of the CSIC (Spanish National Research Council). It is planned to build wildlife passages on access roads to avoid the creation of barriers. Separate segregation and management of the plant land removed during the works phase is foreseen for subsequent use during the restoration work. The Restoration Plan includes all revegetation measures during the exploitation phase and closure.

7.5. Air Quality

The Environmental Impact Study proposes various dust mitigation measures, many of them coinciding with those presented in the Study Objective Guide.

A modelling exercise has been carried out with the IT program Disper 3.0 (based on the EPA´s numerical model ISCST (Industrial Source Complex Short Term Model)) to simulate dust dispersion from the Project. It concluded that, with the proposed preventative measures, the dispersion of the dust is insignificant in the exploitation phase, with only minor dispersion outside of the process plant.

7.6. Gas Emissions

The main sources of emission will be from the pre-heating, heating, drying and cooling stage of the process plant. The EIA identifies all sources of plant emissions, flow rates, temperature and composition of the emission. With this data, a model has been carried out with the Disper 3.0 software (based on EPA's Industrial Source Complex Short Term Model). It is concluded that, with the proposed preventive measures, there is no affect on the nearby towns.

7.7. Noise and Vibrations

The EIA proposes various measures of noise attenuation, many of them coinciding with those set forth in the legislation. A model of noise programming has been carried out with the CUSTIC software. 1.1. In conclusion, the sound levels expected in the nearest towns, Undués de Lerda (Aragón) and Javier (Navarra), due to the activity of the process plant, will be lower than the limit established in the current legislation in residential areas (55 dB(A), during the day).

Considering the levels already existing in the municipalities, it is expected that the noise generated by the exploitation will not be audible in the nearby urban areas.

7.8. Visual Impact

The design of the project has prioritised the minimisation of visual impact on the chosen area. It is not visible from the centre of any town or the places of interest for tourism, like the Castillo de Javier. The construction of visual barriers is planned to minimize the visual impact on the walkers and pilgrims on the Camino de Santiago.

7.9. Actions Taken

Relevant Special agreements

With SEO Birdlife

During this period, some of the most important milestones have been achieved including the agreement with SEO Birdlife.

Both entities have united to undertake a collaboration project, with the goal of boosting knowledge and protecting biodiversity. This agreement signed with this reputable NGO is of relevance for the conservation of the local habitat. Programs include the installation of nest boxes to monitor birds in the area, bat nest installations, and the continued monitoring of bird populations throughout the life of the Project. Furthermore, it puts in place training measures in rural sectors to assist in adequately managing the environmental.

With Agringes

Geoalcali has signed a collaboration agreement with Agringes, a company that dedicates itself to the production of fertilisers from waste generated by the sanitation network of Pamplona and Bilbao. One of the main objectives of this agreement is to encourage the supply of potash to the cooperatives and owners of agricultural ground.

Commitments to our Stakeholders

During the Public Consultation process, a change to the distribution of the facilities and relocation of the openings to the mines was suggested. The distribution initially presented in the EIA was designed with the criteria of knowing the maximum occupation and with a preliminary approach to the size of the facilities. The detailed engineering done since then has allowed a better dimensioning of the buildings, keeping their relative situation. The new distribution takes place without exceeding the perimeter established in the initial distribution.

This redistribution has consisted mainly of:

- Location of the industrial zone (ore store, plant, product warehouse, shipment and auxiliary buildings) in a valley area in the samarea.
- Location of the mine openings to an area closer to the industrial zone.
- Location of two fresh water rafts to meet the water storage requirements given by the Ebro Water Confederation (three months' supply).

With the new planning, we have:

- Reduced the total length of vials
- Reduced damage to environment, halving the area of land to be excavated.
- Reduced the number of buildings.
- Reduced energy consumption
- Reduced water consumption by harvesting rainwater
- Minimised the visual and urbanistic impact of the industrial zone by locating the process zone in the most remote area
- Avoided influence on valley bed and its vegetation.
- Avoided affecting the halophyte species present in the vicinity.
- Avoided affecting the southern branch of the Camino de Santiago.
- Reduced the distance between the mine opening and plant thereby reducing the length of the communication vial and associated facilities.

New Studies

In order to increase the environmental awareness of the development area of the Muga Mine Project, the Company has completed the following studies:

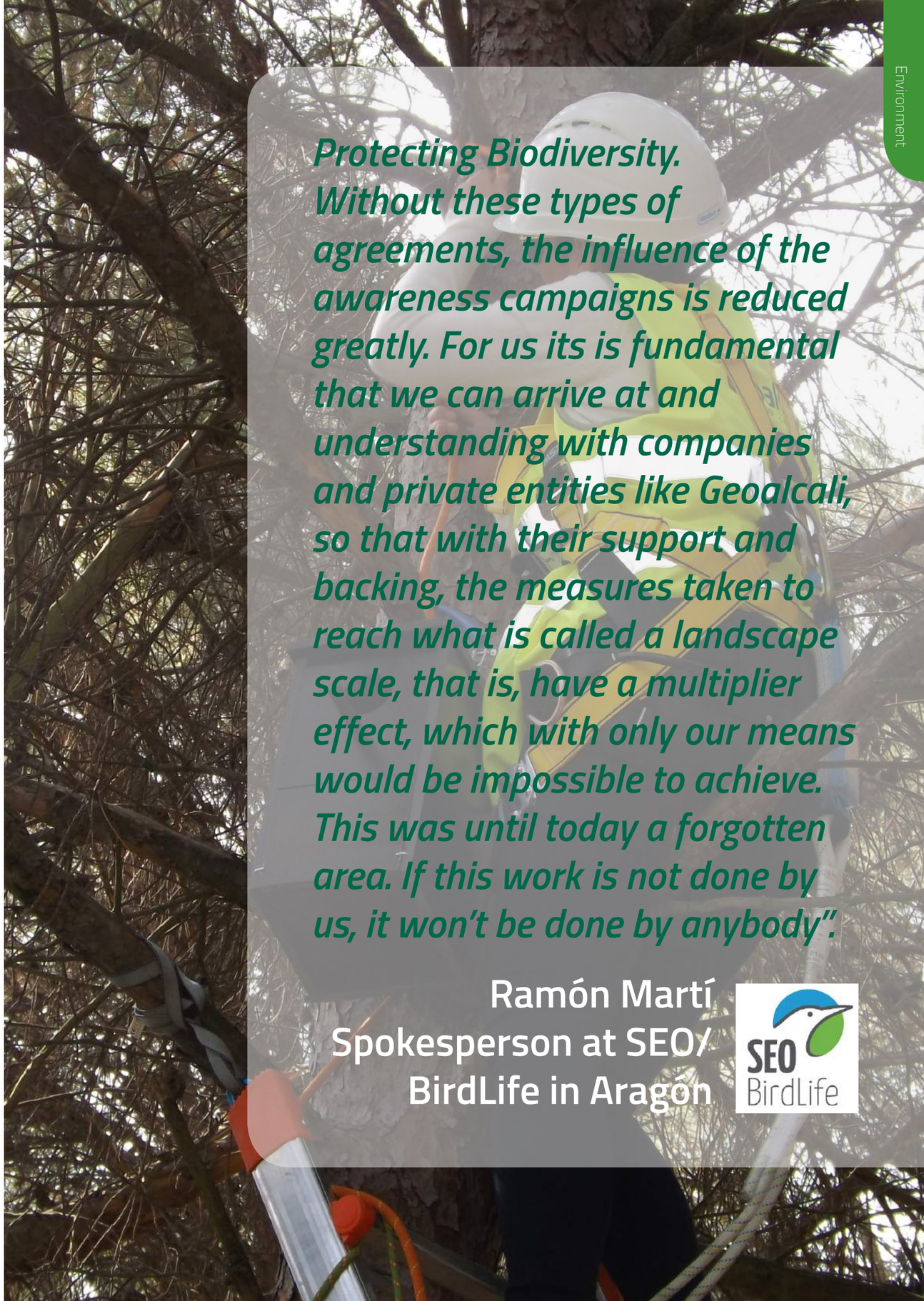
- Report on the field work for the creation of a bird inventory in the Sangüesa (Navarra), Undués de Lerda and Sos del Rey Católico (Zaragoza) regions. An annual study of wintering and population.
- Spot study on the presence of European mink Mustela lutreola, the greater mouse-eared bat Myotis myotis and Common noctule Nyctalus noctula in the potential area of the potash mine near Undués de Lerda (Zaragoza, Spain). Assessment of the importance of projected water rafts on the amphibian community.
- Archaeological prospecting of Valdemolineros.
- Documentation of corrals in the development area of the Muga Mine Project.

A pre-operational control network for the water environment of the Geology Department and Hydrogeology of Geoalcali S.L, has established a network of water resources in order to have base line hydrological and hydrogeological data prior to beginning the mining activity. This standard is employed to provide an environmental base in terms of quantity and quality of water resources in the project's environment. Two types of control networks have been created:

- Surveillance and Quality Control System for surface waters: including channels and streams.
- Groundwater Piezometric Control Network: integrated by piezometers and springs.

The monitoring of these networks is carried out according to four levels of data collection:

- Continuously: Several piezometers are monitored by a pressure sensor (Diver) to know the oscillation of the water level. The frequency of the surveying is scheduled.
- Fortnightly: piezometric measurements are made from all probes in the network.
- Monthly: In addition to the control of the piezometric levels, the channels and springs are checked and samples are taken from all points in the network. The physical-chemical parameters of conductivity, temperature and pH are analysed in situ.



Protecting Biodiversity. Without these types of agreements, the influence of the awareness campaigns is reduced greatly. For us its is fundamental that we can arrive at and understanding with companies and private entities like Geoalcali, so that with their support and backing, the measures taken to reach what is called a landscape scale, that is, have a multiplier effect, which with only our means would be impossible to achieve. This was until today a forgotten area. If this work is not done by us, it won't be done by anybody".

Ramón Martí
Spokesperson at SEO/ BirdLife in Aragón

- Quarterly: In addition to the monthly controls, samples are collected for laboratory analysis.

The Preoperational Control Plan for the water environment has been in place since March 2015.

Continuation of the Integrated Management System

Geoalcali´s Integrated Management System has had its first follow-up audits:

- On May 17th and 18th 2016: the first internal follow-up audit, by Gamma Consultores.
- On June 15th, 16th and 17th 2016: The first1st external monitoring audit, carried out by TÜV Rheinland.

Audits are another mechanism to achieve Geoalcali's continuous improvement objectives.

Rule Adaptations

The GIS Department has adapted to the sustainable mining management regulations UNE 22480: 2015 and UNE 22470: 2015 versions. These standards allow systematic monitoring and sustainability indicators, complemented with established main reference documents at a global level, for an adequate setting of objectives for continuous improvement based on objective information, resulting in more satisfactory results of the indicators in following years.

Achieved benefits:

- Safer and less polluting extractive activities.
- Give confidence to all agents (social, economic and environmental) that the mining industry is compatible with sustainable development.
- Greater competitiveness in the mining sector.
- Prevention of accidents in mining.
- Improvement of the overall environmental performance of the industry.
- Correct management of waste, including recycling.

Waste Management Plan Creation for the Exploitation and Research Phases

The implementation of a correct management scheme for the Project's waste is a basic principle of the Company's environmental risk management policy. The creation of the Plan has the objective of establishing all of the necessary measures, and providing the right equipment, for the safe collection, storage and management of the solid and liquid residues generated. All processes will be designed to comply, at a minimum, with current environmental regulations.

Good Environmental Practice leaflets for Construction Employees

Geoalcali is aware of the importance of the environment, as well as the responsibility it has in its protection during the construction. This responsibility must be assumed and shared by all employees and those of collaborating companies, contributing from their work to the protection and conservation of the environment.

For this reason, Geoalcali has made a brochure on Good Environmental Practices, aimed at the workforce, of collaborating companies, whose mission is to remember some of the good practices of environmental matters, that must be applied to the construction, which, no doubt, will contribute to the implementation of the Integrated Management Policy, as well as to the protection and conservation of the environment where it is located.

Creation of the Environmental Requirements for the Contractors

In order to ensure environmental compliance on the part of the collaborating companies, Geoalcali has developed a document that combines the list of environmental documents that the contractor must deliver to Geoalcali during the construction, as well as in the previous stage, and subsequent to them.

Creation of Instructions for the Collection of Topsoil

Conscious of the importance of the topsoil for the later restoration of the surface affected by the construction, Geoalcali has created instructions that establish adopted criteria to remove, extract, transport and store the existing topsoil in the construction areas in order to ensure it is available for the Project's final restoration.

Increases in Staff in the Environment Department

Geoalcali has increased human resources in an area considered one of the four pillars to its activity, and therefore has focused responsibilities in the following areas:

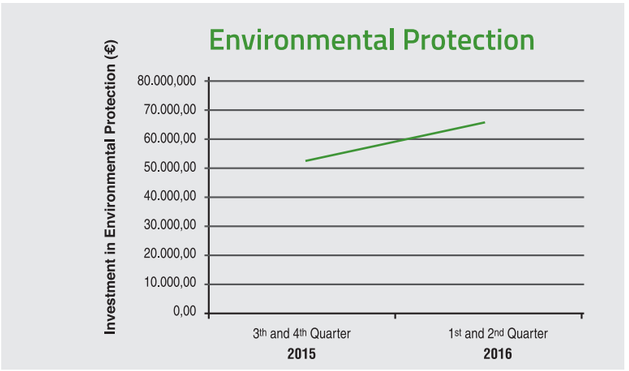
- Environmental permits and licenses.
- Public and private entity replacements.
- Industrial environment.
- Environmental Monitoring and Restoration.
- Management systems.

Increase in Technical Training in the Environment Department

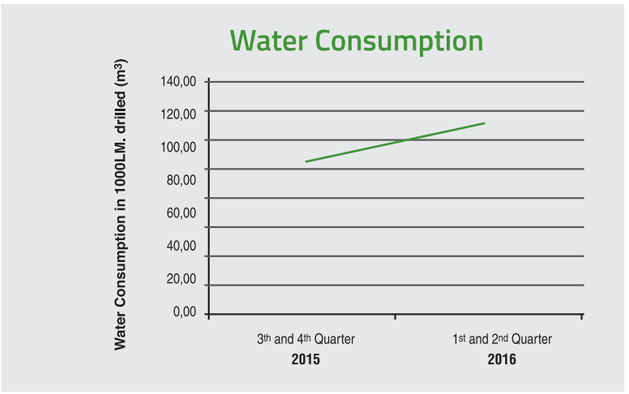
Geoalcali is aware of the importance of continually training staff, encouraging attendance of courses and lectures. The Environment Department has participated in the following training activities:

- II International Forum on Ecological Restoration
- Conference on Sustainable Mining Management
- A new stage in the face of Climate Change
- Environmental legal requirements of mandatory compliance in the industry.

7.10. Environmental Indicators

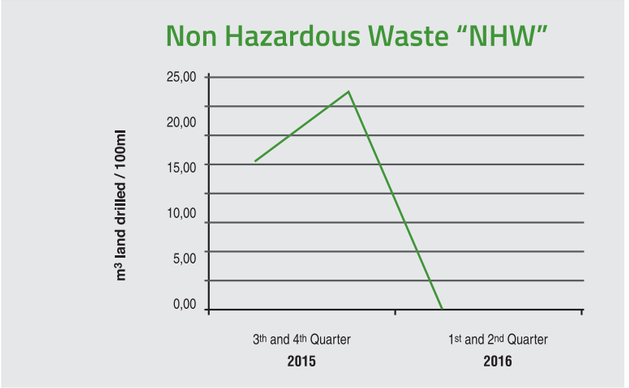


Our objective is to protect and conserve the environment in the research areas as well as in the area of socioeconomic influence. That is why, as the Company progresses in the development of the project, it increases the investment destined to environmental protection, especially in those areas related to correct management (personnel, waste management, prevention measures investments).



During the second half of 2015, drillings were conducted J15-01 and J15-02. During the first half of 2016, two geotechnical drillings were conducted (J16-01, J16-04), thus the water consumprion per m. is much less than in the research drillings.

No substances harmful to the soundings have been used in this period, however, a Manual of Chemicals Management has been completed in order to minimise the use of substances toxic to humans and the environment in general.



Business in Figures

Products

Economic Performance

8. Business in Figures

8.1. Products

Potash

The term potash is used to describe different minerals and chemical products, valued primarily for their potassium content. The main world source of potash is potassium chloride which includes 63.17% potassium oxide (K20). Potassium chloride is also known as Potassium Muriate (MOP).

MOP can be divided into products K60 and K62, with K62 having a higher purity product (with more than 98.1% potassium). MOP accounts for around 90% of worldwide potash sales in terms of volume.

Potash, together with nitrogen and phosphorus, is an essential element for manufacturing common industrial fertilisers, and this use accounts for about 95% of total potash consumption. While K62 is suitable for use as a fertilizer, there are some industrial applications for the highest grade MOP that offer a better price. The market for higher grade potash is small relative to the global fertilizer market and the Company has not taken these specialized markets into account.

In January 2015, independent consultant Argus FMB ("Argus") carried out an independent study on Highfield Resources business proposition. The results of that study determined that the Muga Mine would make Highfield Resources the highest margin potash producer in the world.

Argus undertook this study at the request of the banks involved in the syndicated project financing agreement. The following conclusions were drawn from this study:

- Based on the optimisation study, Muga would make Highfield the highest margin potash producer in the world.
- Key markets for Highfield will be the European, Brazilian and US markets.
- Highfield would have reached a cash margin (excluding depreciation) of 61% in 2015.

"The Argus FMB report provides independent, third-party validation that Muga is likely to position Highfield as the highest margin potash producer globally. The Complany continues to believe that the most compelling potash project globally, and this is the first of our portfolio of five projects that all appear to exhibit similar characteristics." *Anthony Hall, former Managing Director and CEO of Highfield Resources.*

Salt

Salt (NaCl) has more than 14,000 commercial uses but more than 80% is used in four main markets, with the production of alkaline chlorides being the largest market segment.

- Alkaline Chloride production (38%);
- Soda ash production (21%);
- Motorway Chemical de-icer (13%);
- Food/Food production (10%); and
- Other (18%).

Of the world's salt market, which is about 300 million tonnes per year, the de-icing salt usually has the lowest value due to the low grade and high levels of impurities in the product.

Highfield Resources has signed a non-binding Memorandum of Understanding ("MOU") with Cargill, Incorporated ("Cargill") for the potential salt sale by Highfield to Cargill in the US. In this MOU, Highfield and Cargill agree to study the viability of long-term trade agreements in the US markets.

8.2. Economic Performance

The following table shows the economic performance of Geoalcali, the Spanish subsidiary. For more information about the economic performance of Highfield Resources you can go on line to www.highfieldresources.com.au/asx-releases

Geoalcali Financial Information for Sustainability Report

	31/12/2016	30/06/2016
Receipts of funds		
Loans and investments by group companies	7.745.026,94 €	10.550.000,00 €
IVA refunds from Navarra government	379.388,06 €	778.063,70 €
Subsidies, grants and legacies received	00,00 €	6.000,00 €
	8.124.415,00 €	**11.334.063,70 €**
Payments		
Employees	775.996,34 €	981.000,00 €
Suppliers - local	2.452.103,95 €	4.434.007,55 €
Suppliers - foreign	4.258.632,65 €	3.944.039,51 €
Local communities	210.000,00 €	125.000,00 €
Government - payroll taxes (employer)	43.259,38 €	63.763,35 €
Government - payroll taxes (employee)	538.668,88 €	778.731,83 €
	8.278.661,20 €	**10.326.542,24 €**
Increase/(decrease) in funds	**-154.246,20 €**	**1.007.521,46 €**

GRIndex

Standard Disclosure	Content	Code	Reported
Strategy and Analysis	CEO Letter	G4-1	Page 6
	Sustainability Approach	G4-2	Page 14
Organisational Profile	Name	G4 – 3	Page 6
	Products	G4 – 4	Page 76
	Emplacement	G4 - 5	Page 6-11
	Operational Map	G4 – 6	Pages 6-11
	Legal Form	G4 – 7	Page 24
	Markets	G4 - 8	None of Highfield Resources Projects are currently in production. The Company does not serve any market with product or Service.
	Scale of the organisation	G4 - 9	Pages 6- 11 , 38- 40 and 76 -77
	Employee Metrics	G4 - 10	Page 40
	Bargaining Agreements	G4- 11	All employees are collectively represented
	Supply Chain	G4 -12	The Company does not sell any product or service at the moment.
	Significant Changes	G4 - 13	N/A
Commitments to External Initiatives	Precautionary Approach	G4 - 14	Pages 14 - 18
	External Initiatives	G4- 15	Pages 14 - 18
	Memberships of associations	G4 - 16	Page 63
	Financial Statements	G4-17	Annual Reports published in ASX Releases: view 2015 and 2016 Annual Report at http://www.highfieldresources.com.au/asx-releases/
Identified Material Aspects and Boundaries	Process of the report	G4 - 18	Page 20
	List of material aspects	G4 - 19	Page 22
	Material Aspect Boundary within the org.	G4-20	As identified in the GRI Index
	Material Aspect Boundary outside the org.	G4 – 21	As identified in the GRI Index
	Restatements	G4 - 22	No significant restatements for previous reports
	Report on Previous reporting and significant changes on Scope and Aspect Boundaries	G4 - 23	No significant changes.
Stakeholder Engagement	List of stakeholders	G4 - 24	Pages 21
	Report the basis for identification of stakeholders	G4 - 25	Pages 21
	Organisation´s approach to stakeholders engagement	G4 - 26	Pages 21 and page 41 - 48
	Topics that have been raised through stakeholder engagement	G4- 27	Page 21
Report Profile	Reporting Period	G4 -28	Page 20
	Date of previous report	G4 – 29	June 2015
Participación en Iniciativas Externas	Reporting Cycle	G4 - 30	Page 20
	Contact	G4 - 31	Page 20
	Report option “in accordance”	G4 - 32	This report has been prepared within the GRI 4 version and self –assessed as Core Page 20
	External Assurance	G4 - 33	This report has not been externally assured
Governance	Governance Structure	G4-34	Page 16
Ethics and Integrity	Company Values, Principles, Standards and Norms	G4-56	Read online: www.highfieldresources.com.au/coporategovernance

Standard Disclosure	Content	Reported
Economics		
Economic Performance: Boundary: Internal and External STK affected: All		
DMA	General disclosures on Management Approach	Chairman letter Annual Report 2016 http://highfield.geoalcali.com/wp-content/uploads/sites/2/2014/12/annualReport2016-30sept-1.pdf
G4-EC1	Direct Economic Value Generated	Pag. 77
G4-EC3	Coverage of the organisation´s defined benefit plan obligations	No pension plan is offered at the time
Environment		
Materials Boundary: Internal and External STK affected:		
G4-EN01	Materials used by weight or volume to produce products	The Company is not in production.
G4-EN02	Percentage of materials used that are recycled input materials	The Company is not in production.
Energy		
G4-EN03	Energy consumption within the organisation	Pag. Consumo eléctrico
G4-EN04	Energy consumption outside of the organisation	Pag. Consumo Gasoil
G4-EN06	Reduction of Energy	Mejora para evaluar consume por persona
G4_EN07	Reduction in energy requirements of products and services	Programa de sensibilización Green Track y diseño sostenible Muga Currently the Company is no producing any products.
Water Boundary: Internal and External COI Affected: local communities, local Ngo´s, Town Halls, and local Governments		
DMA	General disclosures on management approach	Page 66
GA-EN08	Water Consumption	Page 73
G4-EN09	Total water withdrawal by source	Page 67
Closure Planning Boundary: Internal and External COI Affected: local communities, local Ngo´s, Town Halls, and local Governments		
G4-MM10	Number and Percentage of operations with closure plans	Pag. 66
Biodiversity Boundary: Internal and External STK Affected: local communities, local Ngo´s, Town Halls, and local Governments		
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity	Page 69
G4-EN13	Habitats protected or restored	The Company is currently not in operations. During drillings campaigns the Company has successfully restored the land.
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by	Page 69
Emissions: Boundary: Internal and External COI affected: All		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Page 69
G4-EN19	Reduction of greenhouse gas (GHG) emissions	To be tracked in the future.

Standard Disclosure	Content	Reported
Effluents and Waste Boundary: Internal and External STK affected: Affected: local communities, local Ngo´s, Town Halls, and local Governments		
DMA	General disclosures on management approach	Pag.68
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention	Medido por gestor autorizado
G4-MM03	Total Amounts of overburden, rock, tailings, and sludges and their associated risks	Page 66 -67
Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws	There are zero sanctions reported for non-compliance with environmental laws
Labor Practices and Decent Work		
Employment Boundary: Internal and External STK Affected: Employees, suppliers, local communities, local Ngo´s, Town Halls, and local Governments		
G4-LA1	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Page 40
Occupational Health and Safety Boundary: Internal and External COI Affected: Employees, suppliers, local communities, local Ngo´s, Town Halls, and local Governments		
G4-LA6	“Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender”	Page 34
Training and Education		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Page 39
Diversity and Equal opportunity Boundary: Internal and External COI Affected: local communities, local Ngo´s, Town Halls, and local Governments		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group	Metrics Staff and Diversity Policy
Labor Practices Grievance Mechanisms	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	A disciplinary grievance was addressed by the Grievance Committee resulting on a satisfactory resolution.
Human Rights		
Boundary: Internal and External STK Affected: local communities, local Ngo´s, Town Halls, and local Governments		
Investments		
G4-HR2	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations,	Page 34 and 39
Human Right Grievance Mechanisms		
G4-HR12	Number of grievances human rights impacts filed, addressed and resolved through formal grievance mechanisms	None reported

Standard Disclosure	Content	Reported
Society		
Local communities Boundary: Internal and External STK Affected: local communities, local Ngo´s, Town Halls, and local Governments		
DMA	General disclosures on management approach	
G4-SO1	“Percentage of operations with implemented local community engagement, impact assessments, and development programs”	Pages 41-62
Anti – Corruption Boundary: Internal and External COI Affected: Employees, suppliers, local communities, local Ngo´s, Town Halls, and local Governments		
G4-SO4	Communication and training on anti-corruption policies and procedures	Page 38
Supplier Assessment for Impact on Society		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	The Company is currently developing a Local Supplier Program.

Note:
The meaning of the term “the Company” refers to either Geoalcali or Highfield Resources depending on context.