About this section:

This executive summary sets out highlights of our sustainability performance for the year ended 30 June 2017.

Highfield Resources, with its subsidiary Geoalcali, has elected to prepare a standalone sustainability report based on Global Reporting Initiative (“GRI”) Standards. GRI is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. The purpose of our Sustainability Report 2017 is to explain how we approach our obligation to operate in a sustainable manner, and how we plan ahead to ensure our future performance will meet high standards of sustainability in the communities in which we operate.

To learn more about our sustainable performance visit:

I am pleased to present our third Sustainability Report based on the GRI Standards, an internationally recognised standard for sustainability reporting.

During the year, we redefined our Vision and Corporate Values by establishing four core values, Commitment, Respect, Excellence and Attitude (“CREA”) that we believe are fundamental to the Company’s future success. These transparently state the basis upon which we will successfully build a sustainable potash business around a profitable and environmentally respectful project, whilst always taking into account the interests of all our stakeholders.

We have centred our efforts in the year on obtaining permits for the Muga Mine, whilst maintaining continuous communication with stakeholders in order to foster dialogue and community participation in the development of Muga Mine.

We remain convinced that incorporating sustainability into our business strategy provides a unique advantage for our business. An example of this is the innovative voluntary Public Participation Plan, which has established formal channels of participation with the residents of the area. We are pioneers in the development of this initiative by promoting the involvement of stakeholders in the development of all phases of our project.

In addition, we have continued to drive initiatives, including via the Geoalcali Foundation, in order to optimise our social performance and thereby secure and maintain support for our project. During the year, the Foundation aligned itself with the 2030 Agenda for Sustainable Development, by establishing the following strategic pillars: initiatives that promote quality education, action that influences the reduction of social inequality, development projects for sustainable cities and action for environmental protection.

We have also adhered to the social responsibility plans for Navarra and Aragón’s regional agendas, aligning ourselves with the governments’ strategies, aimed at promoting sustainability in companies.

Regarding the environment we have also incorporated a series of measures to minimise the potential negative impacts from the Muga Mine on the environment, by optimising its design and incorporating improvements to guarantee the best environmental and social outcomes.

Peter Albert
Chief Executive Officer
Our sustainability strategy is built up from our corporate vision and from our core values and governance processes which ensure that we work in the right direction and in the right way. This includes listening to feedback from our stakeholders, from whom we have identified a number of Material Topics which in turn shape the commitments we make to the environment and to society. We have considered how our corporate objectives align with our efforts in meeting these commitments. Finally, we set performance measures to help us learn and improve.
Our Business

Committed to business ethics and responsible management

Revisions to the Ethics Code and inclusion of new policies to ensure management transparency

The Directors of Highfield Resources Limited and its controlled entities are committed to achieving and demonstrating robust corporate governance practices which are appropriate to the Group’s size and stage of development and which facilitate the long term performance and sustainability of the Company as well as protect and enhance the interests of its shareholders. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board, with the assistance of its Committees regularly reviews its governance practices to ensure they remain consistent with the needs of the Group. In addition, the Group monitors developments in governance market practice, expectations and regulations. The Group complies with the majority of recommendations set out in the Australian Securities Exchange (“ASX”) Corporate Governance Council’s Corporate Governance Principles and Recommendations 3rd Edition (the “ASX Principles”). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the entire 2017 financial year and remain in place.

During this reporting period, the Company has included a Whistle-blower Protection Policy within its Code of Ethics in order to strengthen its commitment to prevent inappropriate business behaviour.

The Group publishes its corporate governance policies, code of conduct and its Board and committee charters on Highfield’s website at www.highfieldresources.com.au/corporate-governance. Additional information that is relevant to this corporate governance statement can also be found in the Group’s annual report for the year ended 30 June 2017.

Redefinition of our values

Vision & Values

Our Vision

“To build a successful, sustainable, potash business with respect for stakeholders and the environment.”

Our Core Values

Commitment

We are committed to best practices in health and safety, the environment, and the communities in which we operate.

Respect

To act and communicate collaboratively with transparency, sincerity and an understanding of cultural diversity.

Excellence

To seek to continuously improve through a cycle of goal-setting, accountability, evaluation and innovation, resulting in enhanced value creation.

Attitude

To uphold the highest standards in regards to ethical performance, honesty, integrity, fairness and equality with all stakeholders.

Renewal of certifications

ISO 9001: Quality Management
ISO 14001: Environmental Management
UNE 22480: Sustainable Mining
OSHAS 18001: Occupational Health and Safety Management
Corporate Social Responsibility Certificates

As part of Geoalcali’s strong commitment to Corporate Social Responsibility, the company has adopted regional CSR Programs promoted by the Government of Navarra (InnovaRSE) and the Government of Aragón (RSA).

Optimised Muga Mine Project

From the outset of the Project we have been committed to a sustainable and intelligent design to minimise the impact of the mine and process plant on the surrounding areas.

Acoustic barriers and coverings of vegetation to be installed around the mine’s footprint to reduce its visual impact.
Environmental, Social and Governance leadership

Board of Directors

- Derek Carter (Non Executive Chairman)
- Pauline Carr (Independent Non Executive Director)
- Richard Crookes (Non Executive Director)
- Jim Dietz (Independent Non Executive Director)
- Owen Hegarty (Non Executive Director)
- Mike Norris (Chief Financial Officer)
- John Claverley (General Manager)
- Gonzalo Mayoral (Permitting Manager)
- Hayden Locke (Investor Relations)
- Ricardo Peréz (External Relations)
- Javier Olloqui (Human Resources)
- Evandro Gibel (Geoalcali Foundation Director)
- Susana Bieberach* (Communications and CSR)
- Laura Bass* (Environment Department)
- Pelayo Iglesias (Health and Safety Manager)

*Members of the Sustainability Work Group

Committed to business ethics and responsible management

Implementing Sustainability
Permitting Process of Muga Mine

On 28 April 2017 Geoalcali presented the updated Environmental Impact Study (EIA) on the Muga Mine Project to the Ministry of Agriculture and Fisheries, Food and Environment (MAPAMA).

The updated EIA was prepared in response to the request made by MAPAMA on 12 December 2016 and constitutes an update to the initial EIA submitted in December 2014.

The updated EIA brings together in one document the improvements and suggested recommendations from the administrative process, basically made up of the following:

- Public information and consultation phase with stakeholders (Article 36 of Law 21/2013, 9th December, Environmental Assessment)
- Technical analysis (Article 40 of Law 21/2013 9th December, Environmental Assessment)
- Advancement of the Engineering detail by the technical team of Geoalcali since December 2014, as well as updates of complementary desk top and field studies.

All of the improvements included in the EIA make possible the reduction of the environmental impact of the project and increase its monitoring capability.

In addition to the improvements included in the project itself, the updated EIA has compiled all the complementary studies that have made it possible to achieve these improvements and optimise the process of the EIA through increased knowledge of the environment and the effects of the project.

For more information on developments in the Group’s business, including each of its projects, see the Directors’ Report which commences on page 22 of this Annual Report 2017 or visit: https://www.highfieldresources.com.au/asx-releases/
Our Environment

Towards minimising our environmental impact

From the outset, in the design phase of the Muga Project, the Company has implemented measures to minimise potential negative impacts on the environment.

During this reporting period, an additional number of improvements have been made which will make the Muga Mine a reference project in the mining sector in Europe. From an environmental point of view, new analyses, studies and initiatives have been carried out to ensure high standard environmental and social outcomes. Some of these improvements are summarised below.

**Improvements to the location** of the facilities taking advantage of the hills and valleys in order to locate the process plant, ponds, offices and other features with the least visual impact to the neighbouring towns and points of cultural interest.

**Design and management of water**, using safe and suitable preventative measures, to minimise the risks of water pollution, generation and storage of salt water, and impact on aquifers and underground water courses.

**The location of the mine openings** in close proximity to the process plant resulting in shorter transport routes, avoiding crossing the Camino de Santiago as well as increasing the distance between the mine and the nearest urban town centre.

**Optimisation of the placement of power lines** in order to help to protect the biodiversity of the area.

**Mine Closure**
Commitment to meet regulations to ensure proper and full reclamation of the site at the end of the mine life.

**Additional complementary studies:**
- Wildlife Studies
- Archaeological Studies
- Visibility Studies
- Subsidence Studies
- Seismicity Studies
- Studies in respect of impacts on public water resources
- Backfilling Studies
- Traffic and Transport Studies
- Socioeconomic Studies
- Social Acceptance Studies

**Improvements to the design of the dams** in order to maintain the natural surroundings and reuse the salt water for the process plant and backfilling.

**Reusing the excavated earth** to construct noise and visual barriers as well as for water protection.

**Incorporating the use of renewable energy** for hot water and reducing atmospheric emissions.

**Production of salt** as a saleable by-product thereby reducing surface wastematerial.

**Incorporating the use of technology and methods to reduce atmospheric emissions.**

**Initiatives with environmental associations to** protect biodiversity. Continually monitoring the local wildlife population.

**Locating other facilities** without affecting the Camino de Santiago, and maintaining sufficient distance from towns and tourist spots as well as rivers, mountains and natural terrain.

**Mine Closure**
Commitment to meet regulations to ensure proper and full reclamation of the site at the end of the mine life.

**Initiatives with environmental associations to** protect biodiversity. Continually monitoring the local wildlife population.

**Incorporating the use of technology and methods to reduce atmospheric emissions.**

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- Traffic and Transport Studies
- Socioeconomic Studies
- Social Acceptance Studies
Commitment and collaboration with social entities and communities

86% of the citizens’ participation is favourable to the project

Innovation award presented to the Foundation for Growing Healthy Together (Crecer Juntos + Sanos) Program by the Foundations of Navarra

Growing Healthy Together school program to raise awareness of healthy eating and sustainability implemented in over 3,500 schools in Navarra and Aragón

Our Community

Enhancing our commitment to transparency

more than 22 communication updates to the local community

23 commitments to the local community

In October 2016, Geoalcali officially presented to the mayors of the regions of Sangüesa and Cinco Villas, 23 commitments that the Company has undertaken as a result of the voluntary Public Participation Process.

Committed to Public Participation and open communication

Our objective as a company is that the Muga Mine develops with transparency and the involvement and collaboration of all stakeholders, especially local communities, establishing direct communication channels that allow us to develop this initiative with the best outcomes for everyone. In this way, within its Corporate Social Responsibility (CSR) strategy and its 2015 Public Participation and Communication Plan, Geoalcali undertook a voluntary public participation for the Muga Mine, conducted between April and June 2016. Responding to the recommendation made by the Government of Navarra, the objective of this process was to understand first hand and through the local leaders, the opinions of, and the information required by, the associations, administrations and people located near the Muga Mine project. For them, Geoalcali provided a public participation without precedent in the sector, developing actions that go beyond the required regulations. In doing so, we have complied with current legislation pertaining to public participation (Law 27/2006) and environmental evaluation (Law 21/2013). Separately, the mandatory legal procedure of Official Public Consultation was also carried out in 2015 as part of the permitting process.

Results of the Voluntary Public Participation Process can be found at: www.geoalcali.com/participacion-ciudadana/

Working sessions with Mayors of the region to discuss local community citizens’ participation on Muga project

To learn more about our 23 commitments visit: www.geoalcali.com/participacion-ciudadana/
Geoalcali Foundation

Community development is much more than philanthropy, and should not be used as a substitute for other social responsibility measures. It is not an isolated gift to the community, but an ongoing relationship between the organisation and the community. Bearing this in mind, many agreements have been reached with local communities, associations, foundations, social entities and representatives of the communities involved.

All of these initiatives aim to promote community participation and are aligned with the recommendations of the ISO 26000 Social Responsibility Guide for stakeholders and the United Nations Sustainable Development Goals ("SDG").

### At a Glance

**ISO 26000 recommendation/SDG** | **Participation of the Foundation in the Community** | **Geoalcali Foundation Pillars**
--- | --- | ---
Social Investment that promotes Social and Economic Development through Tourism | 1st Mountain Race of Competition Cars to Petilla de Aragón | 🌿
| Rural Sport Day | 🏃‍♂️
| La Conquista del Castillo | 🏃‍♂️
| Restoration of La Súbita | 🏃‍♂️
| Children Against Cancer | 🏃‍♂️
| Urriés Sports Association | 🏃‍♂️
| Cantolagua Sports Club – Skating Club | 🏃‍♂️
| Education program for Basketball coaches in Sangüesa | 🏃‍♂️
| Sponsored the registration of young people | 🏃‍♂️
| Medical and ambulance expenses | 🏃‍♂️

### Initiatives that promote Health

| Development and Access to Technology | The creation of the City Council of Liédena web page | 🏃‍♂️
| Sponsoring IT material for educational purposes in IES FP Lumbier School | 🏃‍♂️
<p>| Alta Cinco Villas Community e-learning program | 🏃‍♂️ |</p>
<table>
<thead>
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<th>ISO 26000 recommendation/SDG</th>
<th>Participation of the Foundation in the Community</th>
<th>Geoalcali Foundation Pillars</th>
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<tr>
<td>Promotion of Education and Culture</td>
<td>Training courses in Javier</td>
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<td>Support Liedena’s cultural heritage initiatives</td>
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<td></td>
<td>Support Petilla de Aragón cultural heritage initiatives</td>
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<td>Support Caseda cultural events</td>
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<td>European Heritage Days in Gabarderal</td>
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<td>Navarran Guard Dog Association</td>
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<td>Penultimate trip of the Irati train school history programme</td>
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<td>Brotherhood of Santa Bárbara festivities</td>
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<td>Restoration of the San Bartolomé Hermitage in Rocafor</td>
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<td>Restoration of the Altarpiece of the church of San Esteban de Yesa</td>
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<td>Employment Creation and Activity Development</td>
<td>Supported the creation of social employment in Liedena</td>
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<td>The Organik project</td>
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<td>Social Investment</td>
<td>Nursery School in Sos del Rey el Católico</td>
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<td>New water treatment plant in Urriés</td>
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<td>Cadete football tournament, “Castiliscar Histórica”</td>
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<td>School transport services for Undués de Lerda</td>
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<td>“Family Respite” program, allowing carers the chance to take a short holiday</td>
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<td>Collected funds for the assistance of orphaned and abandoned children</td>
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<td>Charity gala to raise for solidarity projects for children with disabilities</td>
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<td>San Bartolomé Recreational and Cultural Society</td>
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Commitment to both the Academic and Professional world

Navarra´s Public University

In March 2017, Geoalcali was invited to the Public University of Navarra’s Faculty of Business and Economic Sciences to give a seminar to an Administration and Business Management class about the Muga Mine Project.

Montan Universität – University of Leoben

In September 2016 the Chairman and students of Engineering, Mining and Economics of Minerals at the University of Leoben (Austria) visited Geoalcali to learn first hand the characteristics of the Muga Mine project. This university toured nine mining projects in Spain and chose Geoalcali as one of its study projects.

During the visit, the project was explained, and the visitors were shown the workings of an exploration campaign and the requirements that must be fulfilled in respect to audits when evaluating a deposit. They also visited the area where the facilities will be located.

School of Mining Engineering of Madrid at the Technical University of Madrid (ETSIME)

Geoalcali collaborated with the university in a scientific research project on Compressed Air Energy Storage (CAES) in its project engineering laboratory, directed by Professor D. Bernado Llamas Moya. Geoalcali participated by providing footwall salt samples for a campaign of laboratory tests aimed at characterising the geomechanical behaviour of salt.

Participation in Professional events

Geoalcali participated with other Navarran companies in the CSR Forum organised by Caixa Forum and Diario de Navarra to exchange experiences and better practices in CSR.

Sponsorship

Geoalcali was one of the sponsors of the International Mining and Metallurgy meeting organised by the National Confederation of Employers of Mining and Metallurgy (CONFEDEM) in Madrid. This meeting aimed to demonstrate the intention of the mining and metallurgical industries to operate within the framework of excellence and sustainability. This year, the fourth edition of the Sustainable Metallurgical Mining Forum was held with EUROMINES, which brought together its Policy Committee (with Sustainability Certification as one of its key themes) and the AMC in Madrid (Canada’s Mining Confederation), a counterpart of CONFEDEM. The two parties maintain close relations and a signed Letter of Intent with an agreed agenda of work to arrive at a “merger” of GMMS (Mining Management Sustainable Metallurgy) and TSM (Towards Sustainable Mining) within eleven months.
Our People

Working towards a Healthy Environment

Work Life balance measures for a healthy workplace environment

During the year, we put in place a Work Life Balance Plan, as a development in our Equality Policies, further to the Equality Plan launched last year. As a result, the Navarra business institution awarded Geoalcali its Reconcilía, or Work Life Balance, certificate in recognition of its pioneering efforts to establish work life balance measures. Notable among these is flexibility of working time, with a set number of working hours but flexibility in start and finish times and the ability to use IT systems to participate and attend meetings remotely, at times when family needs require an employee to be away from the office.

Promoting healthy habits among employees

Different initiatives have been launched to improve the health and fitness of employees within a Healthy Living Program. These include encouragement of fresh fruit in place of processed foods and voluntary mindfulness sessions. Employees are also encouraged to participate in the Solidarity Challenge, competing with other companies. Kilometres are collected through various types of physical exercise and are then converted into donations to good causes. In addition to the health benefits for our staff who participate, this program has helped to promote the importance of healthy living throughout our organisation and helps our staff to make a contribution to good causes outside the company.

Initiatives to promote internal communications and team building:
- Coffee talks
- Breakfasts with the CEO
- Team building exercises

Geoalcali has led the Solidarity Challenge by contributing the most kilometres per person in Navarran companies, demonstrating their solidarity with social causes.
Geoalcali again meets the requirements of Spain’s Bonus Prevention Incentive system bonus for effective Health and Safety performance in 2016

For the second year running, Geoalcali met the conditions to be able to qualify for the bonus for the calendar year 2016. This government scheme incentivises companies that are committed to reducing the number of accidents at work and take effective actions to reduce occupational risks, thereby reducing accidents in the workplace and occupational illness.

The conditions Geoalcali met to earn this bonus were:

- Invest more than €5,000 in combating occupational risks.
- General and extreme incident rates to be lower than the established limits in the ESS/56/2013.
- Not to have been punished for serious breaches in the area of prevention or Social Security.
- To be aware of fulfilment of the rules regarding Social Security contributions.
- To comply with the basic requirements for preventing risks in the workplace by means of self-declaration on preventative activities, in accordance with Decree TIN/1448/2010.
- To have made documented investments in facilities, processes or teams in terms of preventing risks at work that contribute to the elimination or reduction of risks.
- To have carried out the following actions:
  - Voluntary implementation of an external assessment of the prevention system;
  - Implementation of a mobility plan to prevent accidents on the way to or during work; and
  - Certification OHSAS 18001.

Geoalcali continued with monthly safety talks for the whole workforce, to address specific safety issues in a sequence of short meetings aimed to increase Health and Safety awareness among all employees. Talks were given about: statistics of accidents in potash mining, heatstroke, post-vacation syndrome, health promotion, mine ventilation, confined spaces and mining rescue.

Geoalcali’s staff did not have any accidents during the financial year and the objective of Zero Accidents was therefore met.

Similarly, the contracting companies or subcontractors that work for Geoalcali experienced no accidents during the financial year, also fulfilling our objective of Zero Accidents.