

HIGHFIELD RESOURCES LIMITED
ACN 153 918 257

NOTICE OF EXTRAORDINARY GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting
Friday, 9 February 2024

Time of Meeting
4.30pm (Adelaide time)

Place of Meeting
Virtual meeting held via webcast accessible at
<https://ccmediaframe.com/?id=z4KOH95P>

THE DIRECTORS WHO DO NOT HAVE AN INTEREST IN THE OUTCOME OF RESOLUTION 1 UNANIMOUSLY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF RESOLUTION 1 PROPOSED IN THIS NOTICE OF EXTRAORDINARY GENERAL MEETING

THE DIRECTORS UNANIMOUSLY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF RESOLUTIONS 2 AND 3 PROPOSED IN THIS NOTICE OF EXTRAORDINARY GENERAL MEETING

The business of the Meeting affects your shareholding and your vote is important.

This Notice and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

The Company strongly encourages all shareholders to lodge a directed proxy vote prior to the cut-off date for proxy voting as set out in the Notice. To lodge your proxy, please follow the directions on your personalised proxy form, delivered to you by email or post (depending on your communication preferences).

Should you wish to discuss the matters in this Notice, please contact the Company Secretary on kadams@hlbsa.com.au.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of shareholders of Highfield Resources Limited (**Meeting**) will be held as a virtual meeting via webcast at 4.30pm (Adelaide time) on Friday, 9 February 2024.

Resolution 1: Approval of issue of convertible notes

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

'That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 306 secured convertible loan notes to the EMR Subscribers and to issue ordinary shares to holders of such notes on conversion of the secured convertible loan notes on the terms and conditions of the convertible note deed described in the Explanatory Memorandum which is attached to and forms part of this Notice.'

Resolution 2: Approval of previous issue of convertible notes under ASX Listing Rule 7.1

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval is given to the previous issue by the Company of 102 secured convertible loan notes to an Institutional Investor on the terms and conditions of the convertible note deed described in the Explanatory Memorandum which is attached to and forms part of this Notice.'

Resolution 3: Approval of previous issue of convertible notes under ASX Listing Rule 7.1

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval is given to the previous issue by the Company of 306 secured convertible loan notes to Tectonic on the terms and conditions of the convertible note deed described in the Explanatory Memorandum which is attached to and forms part of this Notice.'

DATED 10 JANUARY 2024
BY ORDER OF THE BOARD
HIGHFIELD RESOURCES LIMITED



Katelyn Adams
COMPANY SECRETARY

NOTES:

1. Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of Extraordinary General Meeting is incorporated in and comprises part of this Notice of Extraordinary General Meeting and should be read in conjunction with this Notice of Extraordinary General Meeting.

Shareholders are specifically referred to the Defined Terms in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of Extraordinary General Meeting and the Explanatory Memorandum.

2. Voting Exclusion Statements

Resolution 1

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- *each EMR Subscriber;*
- *any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of convertible notes (except a benefit solely by reason of being a holder of ordinary securities in the Company); or*
- *any associates of the EMR Subscribers.*

However, this does not apply to a vote cast in favour of a resolution by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *an EMR Subscriber acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the EMR Subscriber that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the EMR Subscriber votes on the resolution in accordance with directions given by the beneficiary to the EMR Subscriber to vote in that way.*

Resolution 2

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 2 by or on behalf of any:

- *persons who participated in the issue of the Notes the subject of Resolution 2; or*
- *any associates of those persons.*

However, this does not apply to a vote cast in favour of a resolution by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way*

Resolution 3

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of any:

- *persons who participated in the issue of the Notes the subject of Resolution 3; or*
- *any associates of those persons.*

However, this does not apply to a vote cast in favour of a resolution by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way*

3. Proxies

A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To record a valid vote, a shareholder will need to take the following steps:

- 3.1 cast the shareholder's vote online by visiting www.advancedshare.com.au/investor-login or, if using a mobile device, by scanning the QR code on the shareholder's proxy form and entering the shareholder's registered postcode; or
- 3.2 complete and lodge a validly completed and signed paper proxy form at the share registry of the Company, Advanced Share Registry Services:
- (a) in person at the following address:
Advanced Share Registry
110 Stirling Highway
NEDLANDS WA 6009
- OR
- (b) by post at the following address:
Advanced Share Registry
PO Box 1156
NEDLANDS WA 6909
- OR
- (c) by facsimile on (08) 6370 4203 (within Australia) or +61 8 6370 4203 (outside Australia); or
- 3.3 for Intermediary Online subscribers only (custodians), cast the shareholder's vote online by visiting www.advancedshare.com.au/investors.aspx,

so that it is received no later than 4.30pm (Adelaide time) on Wednesday, 7 February 2024.

The chair intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the chair may change his or her voting intention on any resolution, in which case an ASX announcement will be made.

4. 'Snap Shot' Time

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7:00 pm (Adelaide time) on Wednesday, 7 February 2024 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening the Extraordinary General Meeting of shareholders of Highfield Resources Limited to be held on Friday, 9 February 2024. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 3 (inclusive).

1. RESOLUTION 1: APPROVAL OF ISSUE OF CONVERTIBLE NOTES

1.1 Overview

On 22 December 2023, the Company announced that it had entered into a convertible note deed with the Subscribers (**CND**) under which the Company will raise capital of approximately A\$8.9 million¹ (before costs) by way of the issuance of limited security convertible loan notes (**Notes or Convertible Notes**) to the EMR Subscribers² and the Other Subscribers (**Equity Raising**). Under the Equity Raising the Company has agreed to issue 306 Notes (with a face value of US\$10,000 per Note) to the EMR Subscribers and 408 Notes (of which, 306 have a face value of A\$10,000 per Note and 102 have a face value of US\$10,000 per Note) to the Other Subscribers (in each case, including Notes issuable in respect of the arrangement fees under the CND).

As explained in the ASX announcement dated 22 December 2023, the Equity Raising will assist the Company in meeting its objective to build on the substantial progress the Company has made in recent months by funding essential costs associated with advancing its Muga Potash Project (**Project**) and allowing it to progress discussions with strategic and financial investors to fully finance the Project. **Accordingly, the Directors who do not have an interest in the outcome of Resolution 1, recommend that Shareholders vote in favour of Resolution 1.**

The Convertible Notes are to convert into Shares at the lower of:

- A\$0.3147, being the VWAP of the Shares as traded on ASX over the 20 trading days prior to the date of the CND (**VWAP Conversion Price**);
- if a Change of Control Trigger Date (defined at Item 18 in the table in Section 1.2 below) occurs, a 25% discount to the implied valuation per Share from the relevant Change of Control transaction; and
- if the Company undertakes any new issue of Securities (as defined in the CND) (other than (i) the Notes under the CND, and (ii) the issue of Shares on exercise of convertible securities on issue in the Company as at the date of the CND, or (iii) an issue which results in an adjustment under Term 8 of the CND (being adjustments arising as a result of, for example, reorganisations of the Company's share capital, bonus issues etc.) (**New Issuance**) between the date of the CND and the Maturity Date, a 10% discount to the lowest issue price of the new Security in question, provided that:
 - > if such price is to be determined by reference to the application of a formula or other variable feature then the issue price will be determined by application of such formula or

¹ Foreign exchange rate for conversion is US\$1.00 to A\$1.48.

² Funds managed by EMR Capital Management Limited, a Cayman Islands exempted company and a specialist resources sector focused private equity manager. One of the EMR Subscribers has a right to appoint, and has appointed, a nominee to the board of directors of the Company and, the EMR Subscribers therefore, are parties which would be caught by the ambit of ASX Listing Rule 10.11.3.

variable feature as if the relevant event had occurred as at the time of issue of the relevant Securities; and

- > if such price is lower than 50% of the VWAP Conversion Price (**Floor Price**), the conversion price shall be the Floor Price .

This limb can operate on more than one occasion.

If the Company does undertake an issue of new Securities (which is the case that is covered by the third limb) above, and such issuance triggers an adjustment to the conversion price (given the operation of the third limb above) which is significantly lower than A\$0.3147 subject to a floor price of A\$0.157, this would have a dilutionary impact on Shareholders, as illustrated in the table below (with calculations made in relation to the total amount of Notes of A\$8.9million).

Share price implied by 'potential new issue of shares (A\$)	Conversion price (A\$)	Shares on issue as at the date of this document	Shares issued on conversion of Notes ¹	Total Shares on issue following conversion of Notes ¹	Dilutionary effect ^{1,2,3,4}
0.3462	0.31475	392,183,733	28,904,976	421,088,709	-6.9%
0.2594	0.2335	392,183,733	38,958,146	431,141,879	-9.0%
0.173	0.1570 (Floor Price)	392,183,733	57,938,827	450,122,560	-12.9%

Notes:

1. The above calculations do not include the impact of the new share issue that would need to occur to trigger a conversion price lower than A\$0.3147 nor do they contemplate conversion of any accrued interest as may be payable to the Subscribers (but does include the capitalisation of the arrangement fee described below). The Company will ensure that any further conversion of accrued interest is conducted in accordance with all applicable laws. The calculations assume a spot A\$:US\$ exchange rate of US\$0.67 to A\$1.00.
2. The issue of Shares on the conversion of any accrued interest will have a further dilutionary effect on Shareholders.
3. The above calculations do not contemplate conversion of existing unquoted options of the Company or convertible notes currently on issue and no other shares are issued prior to conversion.
4. The Notes are all converted in full.

Similarly, if there is a Change of Control and such a transaction triggers an adjustment to the conversion price (given the operation of the second limb above) which is lower than the other limbs' conversion price, this would have a dilutionary impact on Shareholders, as illustrated in the table below (with calculations made in relation to the total amount of Notes of A\$8.9 million).

Share price implied by 'change of control' transaction (A\$)	Conversion price (A\$)	Shares on issue as at the date of this document	Shares issued on conversion of Notes ¹	Total Shares on issue following conversion of Notes ¹	Dilutionary effect ^{1,2,3,4}
0.3934	0.3147	392,183,733	28,904,676	421,088,709	-6.9%
0.2948	0.2211	392,183,733	41,139,802	433,323,535	-9.5%

Share price implied by potential 'change of control' transaction (A\$)	Conversion price (A\$)	Shares on issue as at the date of this document	Shares issued on conversion of Notes ¹	Total Shares on issue following conversion of Notes ¹	Dilutionary effect ^{1,2,3,4}
0.1963	0.1570 (Floor Price) ⁵	392,183,733	57,938,827	450,122,560	-12.9%

Notes:

1. The above calculations do not contemplate conversion of any accrued interest as may be payable to the Subscribers (but does include the capitalisation of the arrangement fee described below). The Company will ensure that any further conversion of accrued interest is conducted in accordance with all applicable laws. The calculations assume a spot A\$:US\$ exchange rate of US\$0.67 to A\$1.00.
2. The issue of Shares on the conversion of any accrued interest will have a further dilutionary effect on Shareholders.
3. The above calculations do not contemplate conversion of existing unquoted options of the Company or convertible notes currently on issue.
4. The Notes are all converted in full.
5. To enable comparison with the table above, this conversion price is the same as the floor price for the third limb of the conversion mechanism, despite the absence of a floor price in the case of this second limb being the lowest of the three.

1.2 Key terms of Notes

The key terms of the Notes (and the agreement under which they are to be issued) are set out in the below table. The table below is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Subscribers.

	Term	Description
1.	Amount to be raised	Approximately A\$8.9 million comprising US\$3 million from the EMR Subscribers and A\$3 million from Tectonic and US\$1 million from the Institutional Investors (Loan Amount) to be paid in full (in US\$ by the EMR Subscribers and the Institutional Investor and A\$ by Tectonic) on the relevant issue date for the Notes.
2.	Condition precedent to issuance of Notes	In the case of the issuance of the Notes to the EMR Subscribers, the issuance of the Notes will be conditional on receipt of shareholder approval for issuance of the Notes to the EMR Subscribers. In the case of the issuance of the Notes to the EMR Subscribers and the Other Subscribers, the issuance of the Notes was conditional on each senior secured creditor of the Company having provided their written approval for the proposed issuance of Notes under the CND.
3.	Condition precedent to the grant by the Company of an EMR Subscriber's right to Convert	Receipt of approval from the Foreign Investment Review Board (FIRB) for the issuance of Shares on conversion Notes to the EMR Subscribers. If FIRB approval is not received, the Notes issued to the EMR Subscribers will be cash-settled by the Company.
4.	Class and status of security to be issued to Noteholders	Subject to the satisfaction of the conditions in Item 5 below, the Notes will be limited security convertible notes which are convertible into Shares, and redeemable, as set out below. Shares issued on conversion of the Notes will be fully paid and will rank pari passu in all respects with the Shares on issue in the Company as at the date of conversion.
5.	Security to be granted	The Notes are secured by way of the pledge, granted in September 2023, over all of the shares and shareholder loans

	Term	Description
		which the Company indirectly holds (via its wholly owned subsidiary KCL) in its wholly-owned subsidiary Geoalcali (which owns the Muga Muriate of Potash Project (Project)).
6.	Use of proceeds	<p>The Loan Amount must be used by the Company for:</p> <ul style="list-style-type: none"> ■ pre-development costs such as long lead-time items, land acquisitions, technical studies, construction taxes and preparation for construction; ■ project finance costs; ■ corporate G&A / working capital costs of the Company; ■ strategic investor due diligence and legal costs; and ■ transaction and financing costs.
7.	Maturity date	22 June 2025.
8.	Arrangement fee	The Company will pay 2% of the Loan Amount (in kind via the issue of more Notes) on the Issue Date as an arrangement fee.
9.	Interest payable	<p>Each Note will bear interest at the rate of 14% per annum (p.a.) provided that additional default interest of 4% p.a. will be payable while an Event of Default (defined in Item 20 below) subsists (together the Interest Rate).</p> <p>Interest will:</p> <ul style="list-style-type: none"> ■ accrue at the relevant Interest Rate(s) from the Issue Date up to and including the date on which the Notes are converted or redeemed; ■ be calculated and capitalised and added to the total amount outstanding by the issue of new Notes on a quarterly basis; and ■ be payable in kind on conversion or redemption (to the extent not already paid).
10.	Voluntary pre-payment	<p>The Company may prepay the Loan Amount (together with all outstanding interest) (Outstanding Amount) in full prior to the Maturity Date with at least 20 business days' notice to the Noteholders and payment of the applicable Prepayment Make-Whole Amount (as defined in Item 11 below) (Voluntary Prepayment).</p> <p>The Noteholders may choose to forgo any election by the Company to prepay the Outstanding Amount and instead elect to convert the Outstanding Amount to Shares at the Conversion Price (defined at Item 15 below).</p>
11.	Pre-payment make-whole amount	An amount equivalent to the remaining interest payments that would have been accrued if the Loan Amount had been in place until the Maturity Date, and assuming that the interest payment on each date would have capitalised in accordance with the CND (Prepayment Make-Whole Amount).
12.	Redemption	Repayment in full of any Outstanding Amount owing (Redemption Amount) must be made at the Maturity Date, provided that the Noteholders have not elected to convert the Notes (or notified the Company of its intention to do so) prior to the Maturity Date.
13.	Conversion of Notes	Subject to Item 14 below, the Noteholders may choose to convert all or some of their Notes into Shares at any time from the date of issue of the Notes until the Outstanding Amount has been repaid in full.

	Term	Description
14.	Restrictions on conversion of Notes	<p>If all or some of a conversion of Notes issued to the EMR Subscribers is not possible for regulatory reasons (including FIRB approval not having been received and the EMR Subscribers not being able to rely on the 'creep' provisions in item 9 of section 611 of the Corporations Act) (Creep Capacity)), that part of a conversion will be cash-settled by the Company such that the EMR Subscribers will receive the equivalent value in cash that they would have realised if Shares had been issued to the EMR Subscribers on conversion of their Notes at the Conversion Price (defined at Item 15 below) and sold immediately at the applicable Conversion Price, provided that, in such circumstances, the EMR Subscribers may only voluntarily convert on an Event of Default (defined at Item 20 below), a Change of Control (defined at Item 18 below) or on the Maturity Date (Conversion Restriction).</p> <p>The Conversion Restriction will not apply if the EMR Subscribers do not have sufficient Creep Capacity but Chapter 6 Approval (defined below) has been obtained. The EMR Subscribers may at any time request that the Company seek Chapter 6 Approval and the Company will convene a meeting of its Shareholders to seek such approval.</p> <p>Chapter 6 Approval means approval by Shareholders of the conversion of the Notes into Shares under item 7 of section 611 of the Corporations Act.</p>
15.	Conversion price	<p>The conversion price will be equal to the Outstanding Amount attributable to the Notes being converted divided by the lower of:</p> <ul style="list-style-type: none"> ■ A\$0.3147, being the VWAP of the Shares as traded on ASX over the 20 trading days prior to the date of the CND; ■ if a Change of Control (defined at Item 18 below) occurs, a 25% discount to the implied valuation per Share from the relevant Change of Control transaction; and ■ if the Company undertakes any New Issuance between the date of the CND and the Maturity Date, a 10% discount to the lowest issue price or exercise price (as applicable) of the new Securities in question provided that (i) if such price is to be determined by reference to the application of a formula or other variable feature, then the issue price will be determined by application of such formula or variable feature as if the relevant event had occurred as at the time of issue of the relevant Securities, and (ii) if such price is lower than the VWAP Conversion Price, the conversion price will be the Floor Price. This limb can operate on more than one occasion, <p>(the Conversion Price).</p>
16.	Mandatory conversion of Convertible Notes	<p>If any Outstanding Amount balance remains owing at the time of first drawdown under the Company's senior debt facility financing for the Project (Project Financing), the Outstanding Amount (excluding any Prepayment Make Whole Amount) will mandatorily convert into Shares at the Conversion Price, unless, in respect of the EMR Subscribers, the Conversion Restriction applies in which case the Notes held by the EMR Subscribers will be redeemed to the extent not able to be converted because of the Conversion Restriction.</p>
17.	Adjustment provisions	<p>The Notes contain standard adjustment provisions to the Conversion Price to deal with rights issues, placements,</p>

	Term	Description
		buybacks, share splits or consolidations, and other corporate events.
18.	Change of Control	<p>If a Change of Control Trigger Date occurs, the Noteholders may (if they have not converted all of their Notes prior to then), by not less than 15 business days' notice to the Company require repayment of Outstanding Amount. If a Change of Control Trigger Date occurs prior to the Maturity Date, the Prepayment Make-Whole Amount is payable.</p> <p>Change of Control means (i) the Company ceases to own, indirectly, at least 50% of Geoalcali; and/or (ii) ceases to own at least 50% of the Project; and/or (iii) any person acquires a relevant interest of more than 50% in the Shares.</p>
19.	Covenants	The Company will be subject to limited covenants in connection with the Notes including that no dividends are payable by the Company while the Notes are outstanding. No financial covenants are proposed.
20.	Events of default	<p>Events of default include:</p> <ul style="list-style-type: none"> ■ insolvency of the Company, KCL or Geoalcali; ■ any payment default under the CND; ■ material breach (after relevant cure period exhausted) of other obligations under the CND; ■ cross default of any financial indebtedness of the Company or its subsidiaries where the amount owed under the financial indebtedness exceeds US\$1,000,000; ■ the Company's senior facility agreement is cancelled or terminated; ■ the Company takes any action that is designed to have the effect of terminating its listing on ASX; ■ the key Project permit is revoked; ■ the Company, Geoalcali or both make a final decision to discontinue the Project; ■ the Company receives any written notification from ASX that ASX is contemplating terminating its listing; ■ an Issuer Group Member (as defined in the CND) breaches in a material respect any representation or warranty given in a Transaction Document (as defined in the CND); ■ a Transaction Document is or becomes void or unenforceable in any material respect; ■ Geoalcali ceases to be a wholly-owned direct subsidiary of KCL or KCL ceases to be a wholly-owned direct Subsidiary of the Company; ■ compulsory acquisition of all or a material part of the assets of the Company by a government agency; and ■ any event or circumstance occurs which has or would have a Material Adverse Effect (as defined in the CND), <p>(the Events of Default).</p>
21.	Quotation	The Notes will not be listed on ASX.
22.	Voting rights	The Notes will not confer the right to vote at any board or Shareholder meeting of the Company.
23.	Participation	The Notes do not confer a right on the holder of the Notes to participate in any issue of securities of the Company.
24.	Transfers of Notes	The Noteholders shall not assign or transfer any of its rights or obligations under the CND and associated documentation without the Company's consent (such consent not to be

	Term	Description
		unreasonably withheld) except in case of an Event of Default which is continuing or a transfer to an affiliate, in which case no such consent will be required.

1.3 Other information

By way of further background to the commercial rationale for the issuance of the Notes, the Company notes the following:

Item	Details
Why the Company needs to issue the Notes on the terms described in this Explanatory Memorandum	The Company requires finance in order to fund its efforts to reach certain milestones relating to the Project which it must meet in order to be able to draw down under its Project Financing.
The alternative funding raising options (if any) that were considered by the Company before it decided to enter into the CND	The Company considered raising equity by way of an offering of its Shares (by way of a placement, share purchase plan or entitlement offer) and non-convertible debt.
If alternative funding raising options were considered, the reasons why the Notes were determined by the Company to be preferable to other funding options	<p>In the Company's view, any equity raising may (i) have involved an unattractive discount and (ii) not have been underwritten and so involve a degree of uncertainty. Accordingly, the Convertible Notes, under which financial accommodation is being provided by existing Shareholders, is considered to be preferable to an equity raising because of the certainty of the commitment of funds and the fact that the most likely scenario involves conversion at the current market price, meaning that dilution is minimised as the Noteholders will not receive the benefit of conversion at a discount.</p> <p>The Convertible Notes are superior to 'pure' debt because they are mandatorily convertible into Share upon drawdown under the Project Financing. This will assist the Company to comply with its obligations under the Project Financing and effectively eliminates the risk of cross-default beyond that point. In addition, 'pure' debt for bridging finance in connection with a project such as the Project would be more expensive for the Company than the Convertible Notes.</p>

1.4 ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in ASX Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to a related party or an associate of a related party unless it obtains the approval of its shareholders.

Because the EMR Subscribers are associated with EMR Fund 1 which is a substantial (10%+) holder of Shares in the Company and has nominated a director to the board pursuant to a relevant agreement with the Company which gives EMR Fund 1 a right or expectation to do so, the EMR Subscribers will be regarded by the ASX as persons in a position of influence over the Company for the purposes of ASX Listing Rule 10.11.3. As a result, the issue of the Notes without first obtaining Shareholder approval is prohibited under ASX Listing Rule 10.11 as it does not fall within any of the exceptions to that rule as set out in ASX Listing Rule 10.12. The issuance of the Notes to the EMR Subscribers therefore requires approval of Shareholders under ASX Listing Rule 10.11.

Resolution 1 seeks Shareholder approval for the issue of the Notes to the EMR Subscribers for the purposes of ASX Listing Rule 10.11 and for all other purposes.

If Resolution 1 is passed, the Company will be able to proceed with the issue of the Notes and raise the Loan Amount. If Resolution 1 is not passed, the Company will not be able to proceed with the issue of the Notes to the EMR Subscribers and will be unable to use the funds proposed to be raised from the issue of the Notes for purposes set out in Item 6 of the table in section 1.2 above.

The issue of the Notes does not require Shareholder approval under ASX Listing Rule 7.1. If Shareholder approval is obtained under ASX Listing Rule 10.11 for the issue of the Notes, that issue will fall within an exception to ASX Listing Rule 7.1 set out in ASX Listing Rule 7.2 and will not reduce the Company's placement capacity under ASX Listing Rule 7.1.

1.5 Technical information required by ASX Listing Rule 10.13

ASX Listing Rule 10.13 requires the following information to be provided to Shareholders:

- Notes are proposed to be issued to each of the EMR Subscribers who, as stated above, will be regarded by the ASX as persons in a position of influence over the Company for the purposes of ASX Listing Rule 10.11.3;
- the number of Notes proposed to be issued to the EMR Subscribers, in aggregate, is 306 Notes. Assuming, the Conversion Price for the Notes remains at A\$0.3147 being the volume weighted average price of the Shares as traded on ASX over the 20 trading days prior to the date of the CNL converted into US\$ at an AUD:USD exchange rate of US\$0.67 to A\$1.00, the maximum number of Shares which may be issued were the Notes to be converted in full would be 14,386,072 Shares;
- a summary of the material terms of the Notes is set out above under the heading 'Key terms of the Notes';
- the Company will issue Notes to the EMR Subscribers as soon as practicable after the date of the Extraordinary General Meeting (and in any event within 1 month after the date of the Extraordinary General Meeting);
- the face value of each Note to be issued the Notes to the EMR Subscribers is US\$10,000 and therefore the Company will receive US\$3 million in aggregate (before costs but after the arrangement fee payable) from the issue of the Notes to the EMR Subscribers; and
- the purpose of the issue of the Notes and use of funds raised under the issue of Notes is set out in Item 6 in the table above under the heading 'Key terms of the Notes'.

A voting exclusion statement has been included for the purposes of Resolution 1.

Resolution 1 is an ordinary resolution.

The Directors who do not have an interest in the outcome of Resolution 1, recommend that Shareholders vote in favour of Resolution 1. Mr Luke Anderson (a non-executive director nominated to the board by EMR Capital) abstained from voting on the board resolution to enter into the agreement to issue the Notes and from the voting recommendation to Shareholders.

Each of the Directors who does not have an interest in the outcome of Resolution 1 intend to vote all Shares held or controlled by them in favour of Resolution 1.

The chair intends to vote undirected proxies in favour of Resolution 1.

2. RESOLUTIONS 2 AND 3: APPROVAL OF PREVIOUS ISSUE OF CONVERTIBLE NOTES

2.1 Overview and terms of Notes

The terms and conditions of the Notes issued to the Other Subscribers are the same as the terms and conditions of the Notes issued to EMR Subscribers as described in paragraph 1.2 of this Explanatory Memorandum. See paragraphs 1.1 and 1.2 of this Explanatory Memorandum.

2.2 ASX Listing Rule 7.1

Broadly speaking, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue of the 408 Notes to the Other Subscribers (comprising the issue of 102 Notes to an Institutional Investor on 29 December 2023 and 306 Notes to Tectonic expected to occur on or about 25 January 2024) does not fit within any of the exceptions to ASX Listing Rule 7.1 and, as the issue of such Notes has not yet been approved by Shareholders, it is effectively using up the Company's 15% limit in ASX Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under ASX Listing Rule 7.1 for the 12-month period following the issue of the 306 Notes.

2.3 ASX Listing Rule 7.4

ASX Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under ASX Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under ASX Listing Rule 7.1.

To this end, Resolution 2 seeks Shareholder approval for the issue of the 102 Notes (with a face value of US\$10,000 per Note) to an Institutional Investor under and for the purposes of ASX Listing Rule 7.4, while Resolution 3 seeks Shareholder approval for the issue of the 306 Notes (with a face value of A\$10,000 per Note) to Tectonic under and for the purposes of ASX Listing Rule 7.4.

Resolution 2 seeks Shareholder approval and ratification pursuant to ASX Listing Rule 7.4 for the prior issue of the 102 Notes to an Institutional Investor which were, and Resolution 3 seeks Shareholder approval and ratification pursuant to ASX Listing Rule 7.4 for the issue of the 306 Notes to Tectonic which are expected to be issued prior to the Meeting, in each case, without Shareholder approval in reliance on the Company's available placement capacity under ASX Listing Rule 7.1) for the purposes of ASX Listing Rule 7.4, so as to 'refresh' the Company's 15% placement capacity under ASX Listing Rule 7.1

If Resolution 2 is not passed, the 102 Notes issued to the Institutional Investor will be included in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively decreasing the number of equity securities the Company can issue under ASX Listing Rule 7.1 without Shareholder approval over the 12-month period following the issue of the 102 Notes to the Other Subscribers. If Resolution 3 is not passed, the 306 Notes issued to Tectonic will be included in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively decreasing the number of equity securities the Company can issue under ASX Listing Rule 7.1 without Shareholder approval over the 12-month period following the issue of the 306 Notes to the Other Subscribers.

2.4 **ASX Listing Rule 7.5 – issuance to the Institutional Investor**

ASX Listing Rule 7.5 sets out a number of items which must be included in a notice of meeting proposing a ratification of securities under ASX Listing Rule 7.4. The following information is provided in accordance with ASX Listing Rule 7.5 in connection with Resolution 2:

- 102 Notes have been issued under the Company's 15% placement capacity.
- The 102 Notes issued to the Other Subscribers were issued for aggregate cash proceeds of US\$1 million.
- 102 Notes were issued to the Institutional Investor on 29 December 2023.
- The 102 Notes issued to the Institutional Investor were issued under the CND, the terms of which are summarised in this Explanatory Memorandum.
- The terms and conditions of the Notes are as described in this Explanatory Memorandum. In particular, see Item 6 in the table above under the heading 'Key terms of the Notes'.
- The Institutional Investor is an institutional, professional or sophisticated investor. The Institutional Investor is not:
 - a related party of the Company;
 - a member of the key management personnel of the Company
 - a substantial holder in the Company;
 - an adviser of the Company; or
 - an associate of any of the above.
- the purpose of the issue of the Notes and use of funds raised under the issue of Notes is set out in Item 6 in the table above under the heading 'Key terms of the Notes'.

A voting exclusion statement has been included for the purposes of Resolution 2.

Resolution 2 is an ordinary resolution.

The recommend that Shareholders vote in favour of Resolution 2.

The Directors do not have an interest in the outcome of Resolution 2 and recommend that Shareholders vote in favour of Resolution 2.

The chair intends to vote undirected proxies in favour of Resolution 2.

2.5 **ASX Listing Rule 7.5 – issuance to Tectonic**

ASX Listing Rule 7.5 sets out a number of items which must be included in a notice of meeting proposing a ratification of securities under ASX Listing Rule 7.4. The following information is provided in accordance with ASX Listing Rule 7.5 in connection with Resolution 3:

- 306 Notes have been issued under the Company's 15% placement capacity.
- The 306 Notes issued to Tectonic are expected to be issued prior to the Meeting for aggregate cash proceeds of A\$3 million.
- The 306 Notes are expected to be issued to Tectonic on or about 25 January 2024.

- The 306 Notes issued to Tectonic are expected to be issued prior to the Meeting under the CND, the terms of which are summarised in this Explanatory Memorandum.
- The terms and conditions of the Notes are as described in this Explanatory Memorandum. In particular, see Item 6 in the table above under the heading 'Key terms of the Notes'.
- Tectonic is an institutional, professional or sophisticated investor. Tectonic is not:
 - a related party of the Company;
 - a member of the key management personnel of the Company
 - a substantial holder in the Company;
 - an adviser of the Company; or
 - an associate of any of the above.
- the purpose of the issue of the Notes and use of funds raised under the issue of Notes is set out in Item 6 in the table above under the heading 'Key terms of the Notes'.

A voting exclusion statement has been included for the purposes of Resolution 3.

Resolution 3 is an ordinary resolution.

The recommend that Shareholders vote in favour of Resolution 3.

The Directors do not have an interest in the outcome of Resolution 3 and recommend that Shareholders vote in favour of Resolution 3.

The chair intends to vote undirected proxies in favour of Resolution 3.

DEFINED TERMS

CND means the convertible note deed entered into between the Company and each Subscriber dated 22 December 2023.

EMR Fund 1 means EMR Capital Investment (No. 2B) Pte Ltd.

EMR Fund III means EMR Capital GP III Limited in its capacity as general partner of EMR Capital Resources Fund III, LP.

EMR Subscribers means EMR Fund 1 and EMR Fund III.

Geoalcali means Geoalcali S.L.U.

KCL means KCL Resources Limited ACN 150 161 658.

Noteholders means holders of the Notes.

Other Subscribers means certain funds managed by Tectonic Investment Management, and certain of its related parties (**Tectonic**) and an institutional investor (**Institutional Investor**).

Subscribers means the EMR Subscribers and the Other Subscribers.

LODGE YOUR PROXY APPOINTMENT ONLINE



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



MOBILE DEVICE PROXY APPOINTMENT

Lodge your proxy by scanning the QR code below, and enter your registered postcode.

It is a fast, convenient and a secure way to lodge your vote.

Important Note: The Company will be holding the EGM virtually. The Company will decide the outcome of voting on the resolutions in the Notice by proxy voting, submitted ahead of the Meeting, and online poll voting during the meeting. Please refer to the Notice of Meeting for the webcast information. The Company strongly encourages all shareholders to lodge a directed proxy vote prior to the cut-off date for proxy voting as set out in the Notice.

EXTRAORDINARY GENERAL MEETING PROXY FORM

I/We being shareholder(s) of Highfield Resources Limited and entitled to attend and vote hereby:

APPOINT A PROXY

☐

The Chair of the Meeting

OR



PLEASE NOTE: If you leave the section blank, the Chair of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) named, the Chair of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), **at the Extraordinary General Meeting of the Company to be held virtually on 9 February 2024 at 4.30pm (Adelaide time)** and at any adjournment or postponement of that Meeting.

Chair's voting intentions in relation to undirected proxies: The Chair intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances, the Chair may change his/her voting intentions on any Resolution. In the event this occurs, an ASX announcement will be made immediately disclosing the reasons for the change.

VOTING DIRECTIONS

#	Resolutions	For	Against	Abstain*
1	Approval of issue of convertible notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Approval of previous issue of convertible notes under ASX Listing Rule 7.1 (Institutional Investor)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Approval of previous issue of convertible notes under ASX Listing Rule 7.1 (Tectonic)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

☐

Please tick here to agree to receive communications sent by the Company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HIGHFIELD RESOURCES LIMITED - EXTRAORDINARY GENERAL MEETING

The Company will be holding the EGM virtually. The Company will decide the outcome of voting on the resolutions in the Notice by proxy voting, submitted ahead of the Meeting, and online poll voting during the meeting.

The Company strongly encourages all shareholders to lodge a directed proxy vote prior to the cut-off date for proxy voting as set out in the Notice. To lodge your proxy, please follow the directions on your personalised proxy form delivered to you by email or post (depending on your communication preferences).

The Company is happy to answer questions prior to the close of proxy voting via email, such questions should be sent to the following email address kadams@hlbsa.com.au

An online poll voting www.advancedshare.com.au/virtual-meeting will be offered to allow Shareholders to vote online during the Meeting. Please refer to the Meeting ID and Shareholder ID on your personalised proxy form to login to the website.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chair as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each resolution of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given resolution, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on a resolution, your vote on that resolution will be invalid.

PLEASE NOTE: If you appoint the Chair as your proxy (or if they are appointed by default) but do not direct them how to vote on a resolution (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that resolution), the Chair may vote as they see fit on that resolution.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

COMPLIANCE WITH LISTING RULE 14.11

In accordance with Listing Rule 14.11, if you hold shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the shares, you are required to ensure that the person(s) or entity/entities for which you hold the shares are not excluded from voting on resolutions where there is a voting exclusion. Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided.

By lodging your proxy votes, you confirm to the company that you are in compliance with Listing Rule 14.11.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR PROXY FORM

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 4.30pm (Adelaide time) on 7 February 2024, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled Meeting.



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 6370 4203



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033