

ASX Release
26 July 2021

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2021

Muga Project Overview

- As announced just after the quarter end (refer ASX release 5 July 2021, “Muga Project Receives Mining Concession”), Highfield Resources (“Highfield or “the Company”) was granted the Mining Concessions for three areas that comprise the Muga Project (“Muga” or “the Project”), namely Fronterizo, Muga and Goyo.
- Following the award of the Mining Concessions, the Company’s priorities have focused on the preparation of the construction at Muga. While this preparation had been advanced in the last few months, the Company is already expediting key pre-construction activities including:
 - Completion of the construction agreement with our preferred contractor;
 - Finalising pending procurement of equipment and the request to initiate the construction of the bolter miner; and
 - Managing the local town hall construction licenses.
- In parallel with these activities, and together with Endeavour Financial, the Company is reviewing its financing options, for both debt and other sources of capital, including strategic investors.
- Cash at the bank as at 30 June 2021 was: A\$12.6m.

Highfield Resources CEO, Mr Salazar, said:

“The grant of the Mining Concession has been a major achievement and elevates the Muga project and the Company into a completely different phase. We are already preparing for construction, advancing on all fronts.

I had the opportunity to thank our staff for their efforts and the Administrations in an event we ran at the mine site on the 16 July 2021 with the endorsement of the President of Navarra. Muga is a unique project and has the potential to deliver great benefits to all our stakeholders. And we are moving forward to build it.”

Highfield Resources Limited

ACN 153 918 257
ASX: HFR

Issued Capital

329.6 million shares
22.82 million options

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Activities in the Muga Project during the Quarter

Overview

The Company's flagship Muga Project is targeting relatively shallow sylvinitic beds, across approximately 60km² located in the Provinces of Navarra and Aragón. The Muga Mine is planned to commence mining at a depth of approximately 350 metres from surface and is therefore ideal for a relatively low-cost conventional mine.

Muga Project: Permitting Update

As announced on the 10 May 2021 (refer ASX release 10 May 2021, "Muga Project Permitting Update") the last report required in the final section of the Mining Concession was received from the environmental department of Aragón. Following this important step, on the 26 May 2021 (refer ASX release 26 May 2021, "Muga Project Permitting Update") the Mining Authorities of Madrid, Aragón and Navarra, having completed their review, submitted the final Mining Concession text to the Government's lawyer for a final legal review. This was the last step before the granting of the Mining Concession.

As announced just after the quarter end (refer ASX release 5 July 2021, "Muga Project Receives Mining Concession"), the Company was granted the Mining Concessions for three areas that comprise the Muga Project, namely Fronterizo, Muga and Goyo.

Upon receipt of the initial notification of these approvals, Highfield immediately applied for and was granted a trading halt by the ASX to assist in managing its continuous disclosure obligations.

Muga Project: Engineering and Construction Update

As previously announced, the engineering consultancy firms released to Highfield the detailed design for the Project on 15 December 2020, in line with the plan. The Company's technical team analysed and reviewed the documentation to ensure the design meets the objectives of the Project with a particular focus on identifying any potential improvements.

With the Mining Concessions now granted, the Company will finalise the purchase of some long lead time equipment. The Company has already shared the information with its construction partner, Acciona, to progress with the negotiation of the construction agreement and the project implementation.

Muga Project Sales and Marketing Update

Highfield has already signed non-binding MOUs representing more than its full Phase-1 production capacity for potash and salt. The supply constraints in the potash market seen during the quarter have encouraged discussions with traders, potential offtake partners and logistics partners interested in a strategic participation in the Project.

Muga Project Financing

Following the Mining Concession award, the Company is now able to finalize its preparation for the debt financing work in conjunction with Endeavour Financial. Preparation for financiers' independent technical, social, environmental and market due diligence is underway. With the receipt of the Mining Concession, the work on the debt financing will pick up pace.

The receipt of the Mining Concession also allows the Company to engage in more detail with its key brokers and strategic partners as it evaluates all financing options prior to the start of construction works.

Cash Position

As at 30 June 2021, the Company had A\$12.6 million in cash. The main payments during the quarter related to engineering above and below ground, a second payment for the crystallizer, and a down payment to kick-off the works to upgrade the electric substation that will feed the mine during commissioning as well as G&A expenditure.

Pintanos Tenement Area

The Pintanos tenement area, comprising the three permits of Molineras 1, Molineras 2 and Puntarrón (see Figure 2) is adjacent to the Muga Project and covers an area of 65km². Mineralisation commences at around 500 metres depth. The Company is building on a substantial database of historical potash exploration information that includes seven drill holes and ten seismic profiles completed in the late 1980s.

Highfield re-initiated the application process for the drilling permit at Molineras 2, following the conclusion of the public consultation period in 2019. Subsequently, the Company responded to all comments received during the consultation period and continues to await the award of the permit. The Company's application for the Puntarrón permit also remains outstanding.

The current priority for the Company is the development of Muga.

Sierra del Perdón Tenement Area

The Sierra del Perdón tenement area ("SdP") comprising the three permits of Quiñones, Adiós and Ampliación de Adiós (see Figure 2 and Figure 4) is located south east of Pamplona and covers approximately 120km². SdP is a brownfield target which previously hosted two potash mines operating from the 1960s until the late 1990s, producing nearly 500,000 tonnes of potash per annum.

There is potential for potash exploitation in new, unmined areas in the SdP area.

The Company was advised in the fourth quarter of 2018 that the second three-year extension application for the Adiós and Quiñones permits had been rejected by the mining department of the Government of Navarra. The Company appealed this decision in 2019 and has so far not obtained a resolution. In the fourth quarter of 2020, the Company was advised that the second three-year extension application for the Ampliación de Adiós permit was rejected by the mining department of the Government of Navarra. The Company appealed this decision in the last quarter of 2020, in line with the ongoing process of the other two SdP permits. Based on local Spanish legal advice, the continued lack of a resolution to the appeal is not seen as a reflection on the merits of the appeal, nor does it represent a significant change with an adverse effect on the entity. The drill hole AA-02 that was planned in 2020 has been delayed until final resolution of these appeals.

Payments to Related Parties

As outlined in section 6 of the attached Appendix 5B, payments to related parties of the entity and their associates, totalling A\$43,000, relate to fees and salaries paid to Directors during the quarter.

Outlook and Strategy - Plans for September Quarter 2021

Preparation for the Construction phase:

- Negotiate construction agreement with our construction partner, Acciona.
- Progress discussions with shareholders, brokers, investors, banks and other financial parties to finalise strategy for the debt and other sources of capital and equity financing for Muga in collaboration with Endeavour Financial.
- Advance pending procurement of equipment.
- Continue to progress construction licences with town-halls (local councils) in Navarra (Sanguesa) and Aragón (Undués).

This announcement has been authorised for release by the Directors of Highfield Resources Limited

For more information:

Highfield Resources Limited

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About Highfield Resources

Highfield Resources is an ASX listed potash company which focuses on the construction of its flagship low cost, low capex Muga Project in Spain having been granted the Mining Concession in July 2021.

Muga is a unique project with shallow mineralization with no aquifers above it and therefore there is no need to build a shaft. There is quality and readily accessible infrastructure already in place in the region and importantly, the Muga Project is located in the heart of a European agricultural region which has a clear deficit in potash supply.

Highfield's potash tenements (Muga-Vipasca, Pintanos, and Sierra del Perdón) are located in the Ebro potash producing basin in Northern Spain, covering an area of around 262km².

Figure 1: Location of Muga-Vipasca, Pintanos, and Sierra del Perdón Tenement Areas in Northern Spain

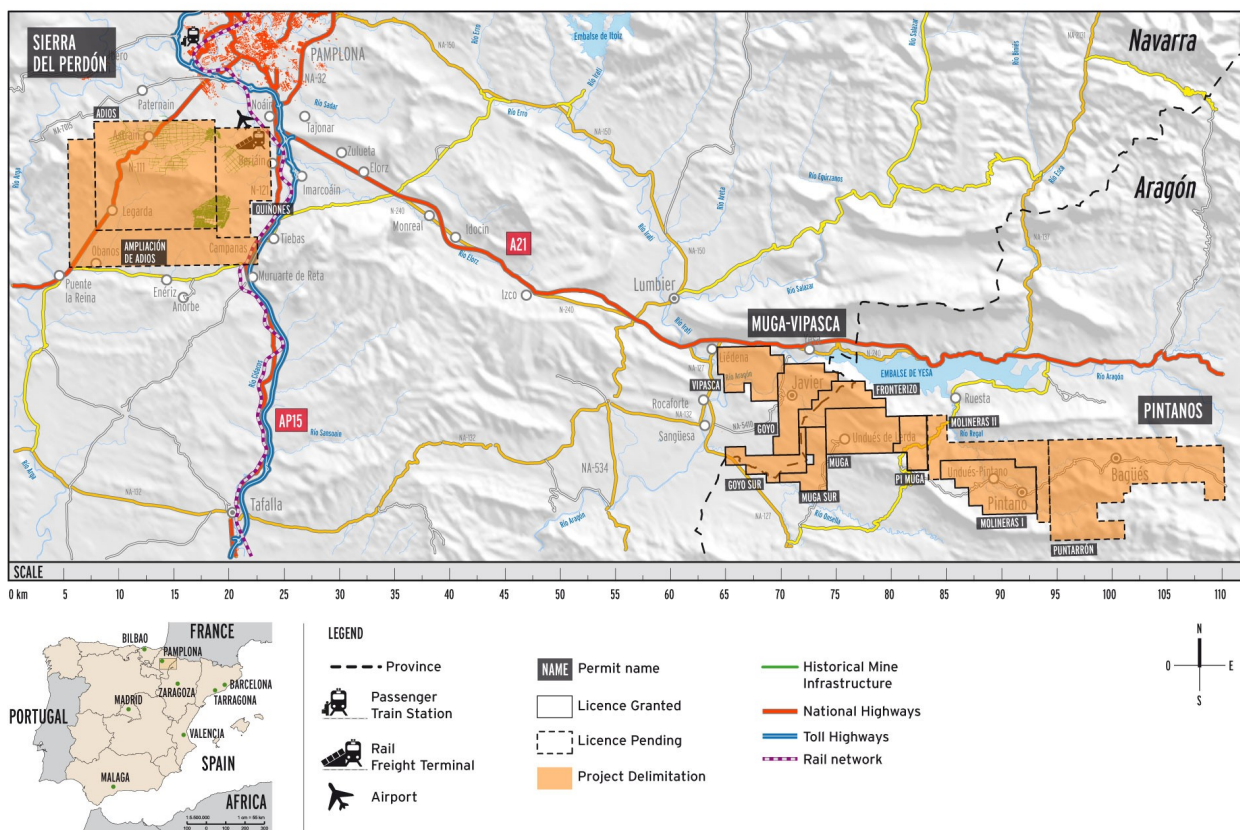


Figure 2: Artist impression of the Muga project



Table 1: Summary of Mineral Interests as of 30 June 2021

Tenement area /Project	Region	Permit Name	Permit Type	Applied	Granted	First Extension Granted	Second Extension Granted	Ref #	Area Km2	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	Application in process	--	--	35760	22.88	Geoalcali SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	Application in process	--	--	35770	59.40	Geoalcali SL	100%
Sierra del Perdón	Navarra	Ampliación de Adiós	Investigation	26/10/2012	Application in process	--	--	35880	40.90	Geoalcali SL	100%
									123.18		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	09/04/2018	30/04/2021	35900	14.1	Geoalcali SL	100%
									14.1		
Muga	Navarra	Goyo (area under concession process)	Investigation	19/07/2011	24/12/2012	--	--	35780	14.79	Geoalcali SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	13/12/2019	--	--	35920	8.96	Geoalcali SL	100%
Muga	Aragón	Fronterizo (area under concession process)	Investigation	21/06/2012	05/02/2014	--	--	Z-3502/N-3585	8.7	Geoalcali SL	100%
Muga	Aragón	Muga (area under concession process)	Investigation	29/05/2013	07/04/2014	--	--	3500	15.08	Geoalcali SL	100%
Muga	Aragón	P.I. Muga (area outside concession process)	Investigation	29/05/2013	07/04/2014	25/09/2019	--	3500	5.32	Geoalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	30/06/2020	--	--	3524	7.28	Geoalcali SL	100%
									60.13		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	08/06/2020	--	3495/10	18.2	Geoalcali SL	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Pending	--	--	3495/20	16.8	Geoalcali SL	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Pending	--	--	3510	30.24	Geoalcali SL	100%
									65.24		
								Total	262.65		

Location: All permits are located in Spain.

Holder: All permits are held by Geoalcali S.L.U., a 100% owned Spanish subsidiary of Highfield Resources Limited.

Figure 3: Location of Sierra del Perdón drill holes

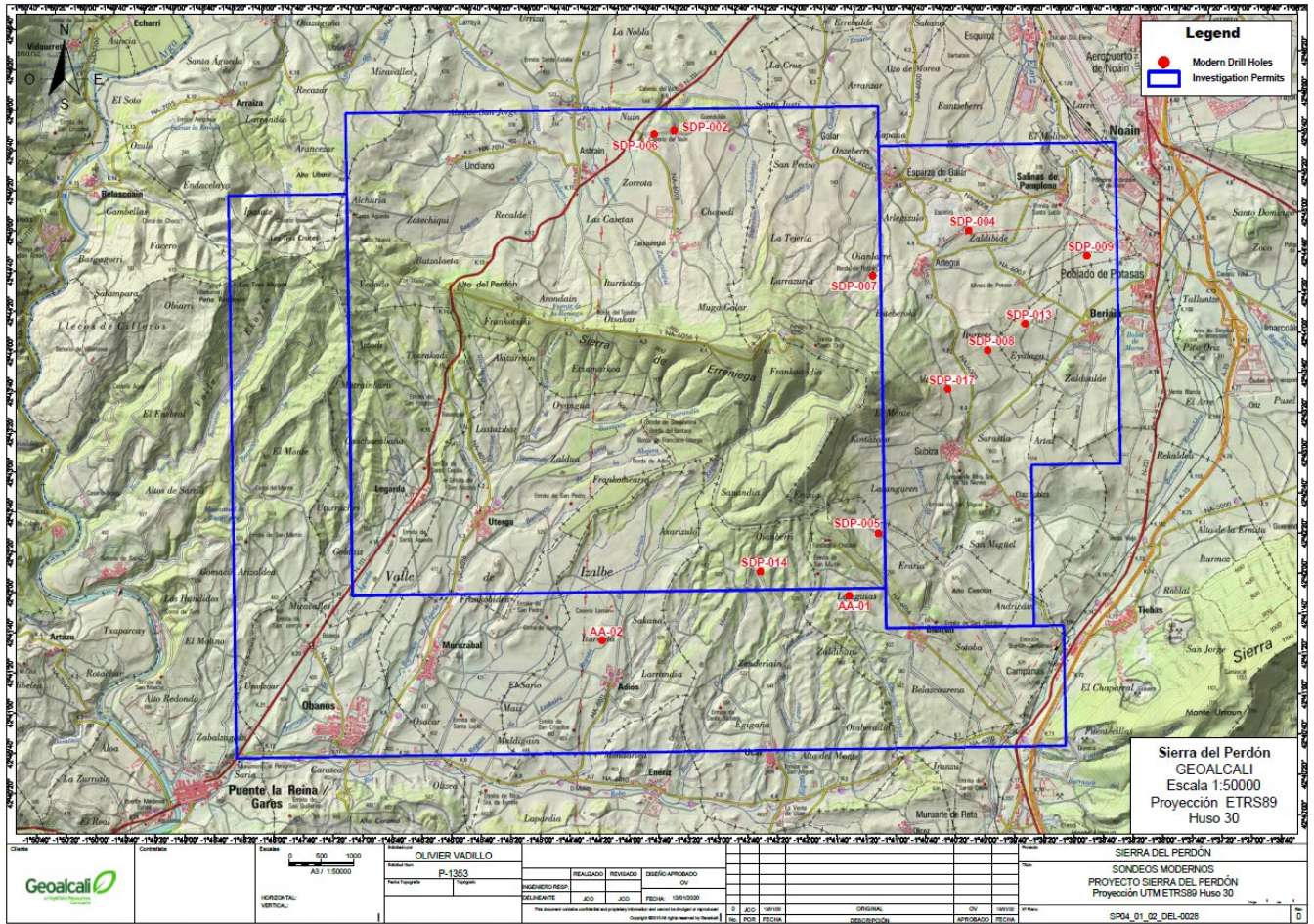
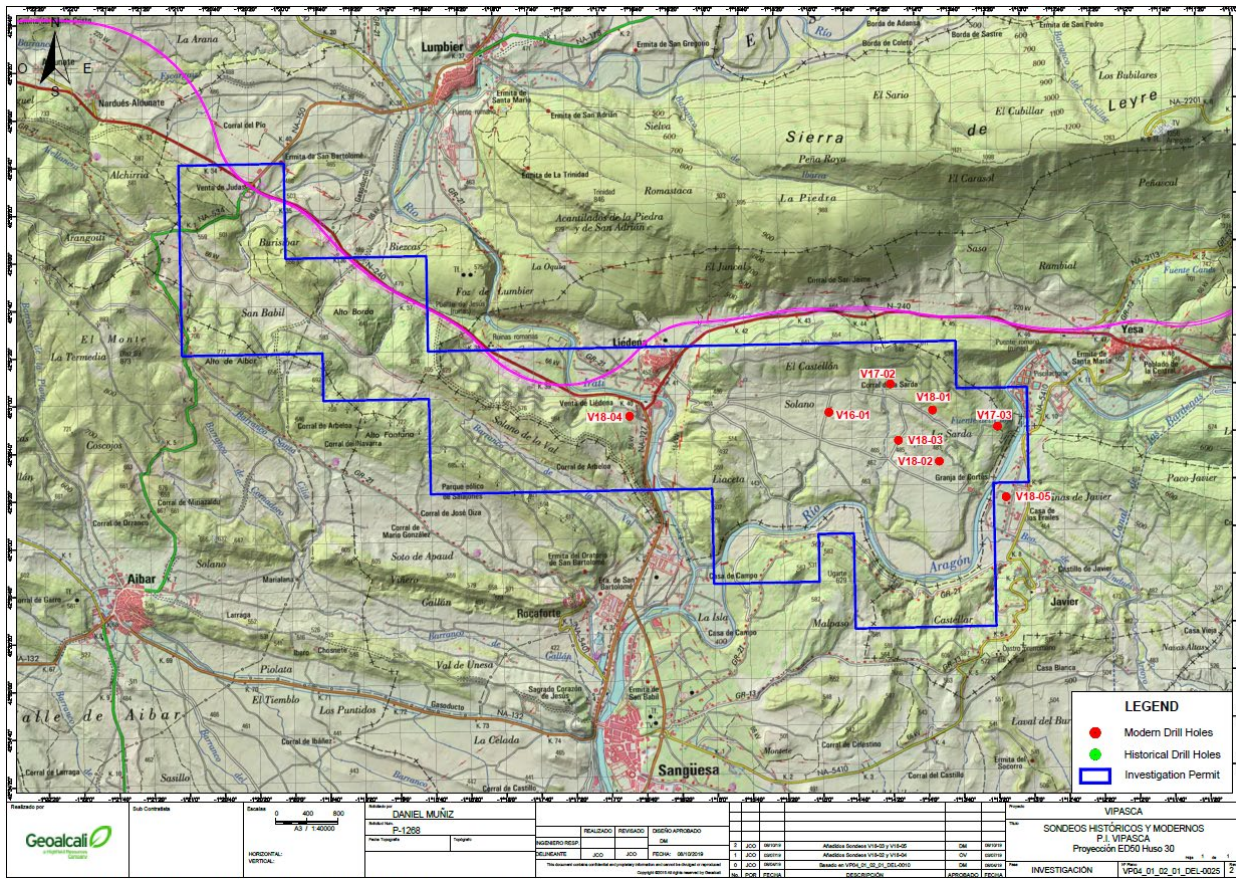


Figure 4: Location of Vipasca drill holes



COMPETENT PERSONS STATEMENT FOR MUGA POTASH PROJECT

This report was approved by Mr Ignacio Salazar, CEO of Highfield Resources. The information in this report that relates to Ore Reserves is based on information prepared by Dr Mike Armitage, the Chairman of SRK Consulting (UK) Limited. Dr Mike Armitage is the Competent Person who assumes overall professional responsibility for the Compliance Opinion. The information in this report that relates to Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Ms Anna Fardell, Senior Consultant at SRK Consulting (UK) Limited, and Mr Tim Lucks Principal Consultant at SRK Consulting (UK) Limited.

Dr. Mike Armitage is employed by SRK Consulting (UK) Limited. The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled under the direction of Dr. Mike Armitage, who is a Member the Institute of Materials, Metals and Mining ("IMMM") which is a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the Australian Securities Exchange ("ASX") from time to time.

Dr. Mike Armitage has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Dr. Mike Armitage consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Ms. Anna Fardell is a Resource Geologist employed by SRK Consulting (UK) Limited, and has at least five years' experience in estimating and reporting Mineral Resources relevant to the style of mineralisation and type of deposit described herein. Ms. Fardell is a registered member of the Australian Institute of Geoscientists (6555) and is considered a Competent Person (CP) under the definitions and standards described in the JORC Code 2012.

Ms. Anna Fardell consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

COMPETENT PERSONS STATEMENT FOR MINERAL RESOURCES AND EXPLORATION TARGETS OTHER THAN MUGA MINERAL RESOURCES.

This report was approved by Mr Ignacio Salazar, CEO of Highfield Resources. The information in this report that relates to Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Mr José Antonio Zuazo Osinaga, Technical Director of CRN, S.A. and Mr Manuel Jesús Gonzalez Roldan, Geologist of CRN, S.A.

Mr José Antonio Zuazo Osinaga is a licensed professional geologist in Spain, and is a registered member of the European Federation of Geologists, an accredited organisation to which Competent Persons (CP) under JORC 2012 Code Reporting Standards must belong in order to report Exploration Results, Mineral Resources, Ore Reserves or Exploration Targets through the ASX.

Mr José Antonio Zuazo Osinaga has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as CP as defined in the 2012 edition of the JORC Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr José Antonio Zuazo Osinaga and Mr Manuel Jesús Gonzalez Roldan consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

HIGHFIELD RESOURCES LIMITED

ABN

51 153 918 257

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(21)	(134)
(b) development		
(c) production		
(d) staff costs	(370)	(962)
(e) administration and corporate costs	(869)	(1,134)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(15)	(21)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST/VAT refunded)	317	603
1.9 Net cash from / (used in) operating activities	(958)	(1,648)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	-	(2)
(d) exploration & evaluation (if capitalised)	(2,518)	(5,742)
(e) investments		
(f) other non-current assets		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(2,518)	(5,744)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,762	20,202
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(958)	(1,648)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,518)	(5,744)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	354	(170)
4.6	Cash and cash equivalents at end of period	12,640	12,640

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	12,640	15,762
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,640	15,762

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

43

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The above payments relate to fees and salaries paid to Directors during the quarter.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(958)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(2,518)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,476)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	12,640
8.5 Unused finance facilities available at quarter end (Item 7.5)	
8.6 Total available funding (Item 8.4 + Item 8.5)	12,640
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.64
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 26 July 2021

Authorised by: the Board of Highfield Resources Ltd.

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.