



ASX: HFR

28 April 2022

31 MARCH 2022 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Purchase contracts signed for all key remaining process plant equipment and, in that way, it has locked in key long lead items and significantly reduced current inflationary risk. Proceeds from the capital raised in August and September 2021 have been instrumental in formalising these contracts.
- Cash at bank as at 31 March 2022 was: A\$18.64 million
- The Muga Project received authorisation from the Government of Navarra to build the electricity line on non-urbanised land to the mine site.
- Comprehensive due diligence process, co-ordinated by Endeavour Financial, resulted in the agreement of a non-binding indicative term sheet for a €312.5 million senior secured project financing package with a group of experienced European mining finance lenders including Société Générale, ING Bank N.V. and Natixis.
 - The Facilities will cover a substantial portion of the pre-production investment required to complete the construction of Muga while, in the context of reviewing alternative strategic financing options complementary to project finance, the strategic advantages of Muga are increasingly providing impetus to the Company's engagement with strategic partners.
- Mr Paul Harris appointed by the Board of Highfield Resources as an independent non-executive Director of the Company and Chairman of the Board effective 25 March 2022.

Highfield Resources CEO, Mr Salazar, said:

"The Company continues to progress the Project towards construction. The debt package for €312.5 million, purchase contracts signed for all key process plant equipment and the authorisation to build on non-urbanised land for the electricity line received from the Government of Navarra shows specific progress on all fronts for the Project. Additionally, in the current geopolitical environment, with increasing fears of a global food crisis, the strategic location of Muga in southern Europe is becoming more relevant than ever."



ACTIVITIES IN THE MUGA PROJECT DURING THE QUARTER

Overview

Following the grant of the mining concession in July 2021, Highfield Resources' ("Highfield" or "the Company") flagship Muga Project ("Muga" or "the Project") is progressing towards construction. In this quarter the Company made progress in all areas as explained below.

The current geopolitical backdrop impacting the potash market has provided renewed interest in the Project. Economic and trade sanctions enacted on Belarus during the year started to restrict the export of Muriate of Potash (MOP) from this major producer and exporter, while the tragic war in Ukraine and subsequent severe sanctions placed on both Russia and Belarus, have led to circa 38% of global MOP supply no longer reaching its intended customers. As a result, the granular MOP price has continued to rise and fears of a global food crisis have been exacerbated. This environment, with Muga preparing for construction, is raising the awareness of the merits of the Project and its strategic importance to secure the supply of MOP in Europe.

Muga Project: Engineering and Construction Update

The Company is making progress in the negotiation of the construction agreement with its construction partner, Acciona Construcción SA ("Acciona"). At the same time the Company, together with Acciona, is running a tendering process, on an open book basis, for the construction works.

The Company utilised the capital raised in August and September 2021 to sign purchase contracts for key long lead items which will further advance the Project towards construction. A €2.9 million contract has been signed with Metso Outotec Finland Oy. ("Outotec"), to provide the thickeners needed to remove impurities from the brine solution within the crystallization process. A contract has also been signed with TEMA Process BV ("TEMA"). This €2.6 million contract will provide both the potash ("KCl") and salt ("NaCl") dryers, as well as the dedusting systems and the wet scrubber of the crushing area. The KCl dryer will be used for drying the KCL prior to it entering the compaction circuit while the NaCl dryer will be used for drying the vacuum salt prior to its storage and sale.

With the signing of these two contracts all remaining key process plant equipment has now been contracted, significantly reducing inflationary and construction risk.

Muga Project: Permitting Update

The townhalls of Sangüesa (Navarra) and Undués de Lerda (Aragón) are responsible for the construction licences for the process plant and the mine gate respectively. The part of the electricity line in Navarra is an element of the main construction licence of the processing plant, however the Company requested the authorisation for the electricity line to be approved separately so that it could get it ahead of the main licence.

In line with local licencing procedural laws, the town hall of Sangüesa required an official authorisation from the Government of Navarra to allow construction of the electricity line on non-urbanised land before it can complete the construction licence. The authorisation to build the line on a non-urbanised area is the key step in advancing the grant of the construction licence and was granted by the



Government of Navarra during the quarter. The construction of the electricity line is subject to the urbanistic authorisations of the installations which will supply electricity.

The Company maintains its on-going and significant engagement with the town halls of Sangüesa and Undués de Lerda as well as the governments of Navarra and Aragón to expedite the construction licences.

Muga Project Financing

During the quarter, the Company continued to work with its Financial Advisor, Endeavour Financial, with a non-binding indicative term sheet agreed for a €312.5 million (m) senior secured project financing package.

The non-binding indicative term sheet was agreed with a group of experienced European mining finance lenders including Société Générale, ING Bank N.V. and Natixis for a €300m senior secured project financing facility and an additional €12.5m cost overrun facility resulting in an overall package for €312.5m to finance the construction of its 100% owned Muga Potash Project.

The Facilities will cover a substantial portion of the pre-production investment required to complete the Phase I construction of Muga. In addition, the Company has received strong interest from local Spanish banks who wish to participate in the Facilities. Outline of terms:

- Senior Secured Project Financing Facility of €300m
- Additional Cost Overrun Facility of €25m of which €12.5m is funded from senior debt
- Carve out for equipment lease financing of up to €22.5m
- Facility tenor of up to ten years, including a 2.5 year grace period

The Facility remains subject to the lenders completing their final due diligence and credit approvals.

The recent positive progress demonstrated by the Company on permitting and banking debt along with the continued strong market fundamentals and the recent increase in the share price is driving strong interest in the Company and providing impetus to the Company's engagement with potential strategic partners in the context of reviewing alternative financing options.

Exploration

The Company has requested the Government of Navarra to transfer the Vipasca investigation permit into a mining concession. This is the first step in the process which will be run in parallel with the construction of the Muga mine. There were no significant developments during the quarter in the Pintanos and Sierra del Perdón tenement areas. The current priority for the Company is the development of Muga.

Corporate

Mr Paul Harris was appointed as an independent non-executive Director of the Company and Chairman of the Board with effect from 25 March 2022.



Mr Harris' appointment comes following a global search to replace the Company's former Chairman, Mr Richard Crookes, who stepped down from the Board on 24 March 2022 to focus on his new business interest and role as Managing Partner of Lionhead Resources.

Cash Position

As at 31 March 2022, the Company had A\$18.64 million in cash. Cash outlays in the quarter were 15% lower than in the previous quarter demonstrating the Company's commitment to preserve cash while at the same time progressing the Project. The main payments made during the quarter included the completion of the independent consultants' due diligence for the banks, deposits paid upon signing of the process plant's equipment, advances to landowners under agreements to acquire land for the Project, as well as logistics costs and customs duties stemming from the import of the compactors purchased from Ludman Industries.

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\$269,000, relate to fees and salaries paid to executive and non-executive Directors during the quarter.

Outlook and Strategy - Plans for June 2022 Quarter

Preparation for the Construction phase:

- Finalise construction agreement with our construction partner, Acciona.
- Continue to progress the next stages of the bank debt, including the signing of mandate with the banks, due diligence and credit approval.
- Along with exploring other sources of capital and equity financing for Muga with shareholders, brokers, investors, banks and other financial parties in collaboration with Endeavour Financial.
- Formalise the potential strategic investor process.
- Continue to progress construction licences with regional governments and town-halls (local councils) in Navarra (Sangüesa) and Aragón (Undués).

The Company's AGM will be held in Adelaide and also virtually on 26 May 2022. Details are contained in the Notice of Meeting which has been released to the ASX and is also on the Company's website.

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

-ENDS-

QUARTERLY ACTIVITIES REPORT



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ABOUT HIGHFIELD RESOURCES

Highfield Resources is an ASX listed potash company which is focussing 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 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. In addition to its secure southern European location, recent events in Russia and Belarus have increased the awareness of the strategic value of the Muga project for both Spain and the European Union.

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 250km².

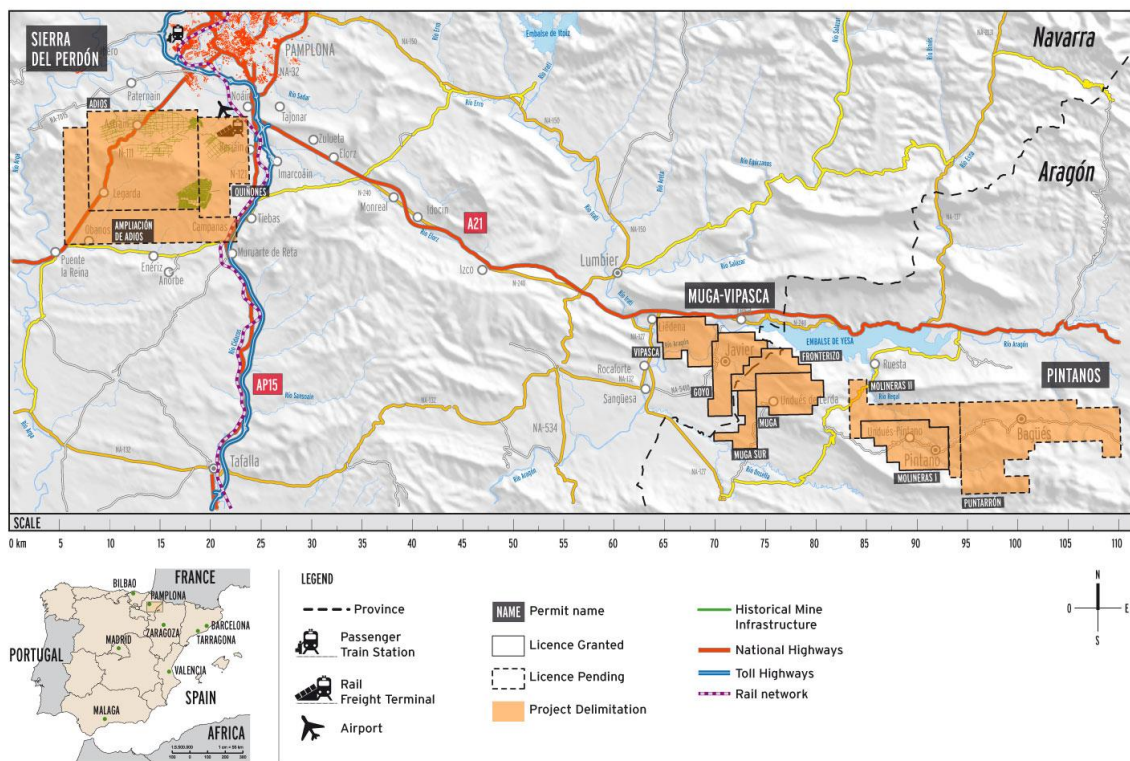


Figure 1: Location of Muga-Vipasca, Pintanos, and Sierra del Perdón Tenement Areas in Northern Spain

QUARTERLY ACTIVITIES REPORT



Figure 2: Artist's impression of the Muga Project's processing plant

MINING												
Tenement area/Project	Region	Permit Name	Permit Type	Applied	Granted	First Extension Granted	Second Extension Granted	Ref #	Area Km2	Holder	Structure	
Muga	Navarra	Goyo	Mining	10/12/2014	01/07/2021	--	--	35780	15.3	Geoalcali SL	100%	
Muga	Aragón	Fronterizo	Mining	10/12/2014	01/07/2021	--	--	3502	9	Geoalcali SL	100%	
Muga	Aragón	Muga	Mining	10/12/2014	01/07/2021	--	--	3500	14.4	Geoalcali SL	100%	
									38.70			
INVESTIGATION PERMITS												
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	Aragón	Muga Sur	Investigation	25/09/2014	30/06/2020	--	--	3524	7.28	Geoalcali SL	100%	
									7.28			
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									248.50			

Table 1: Summary of Mineral Interests as of 31 March 2022

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.



QUARTERLY ACTIVITIES REPORT

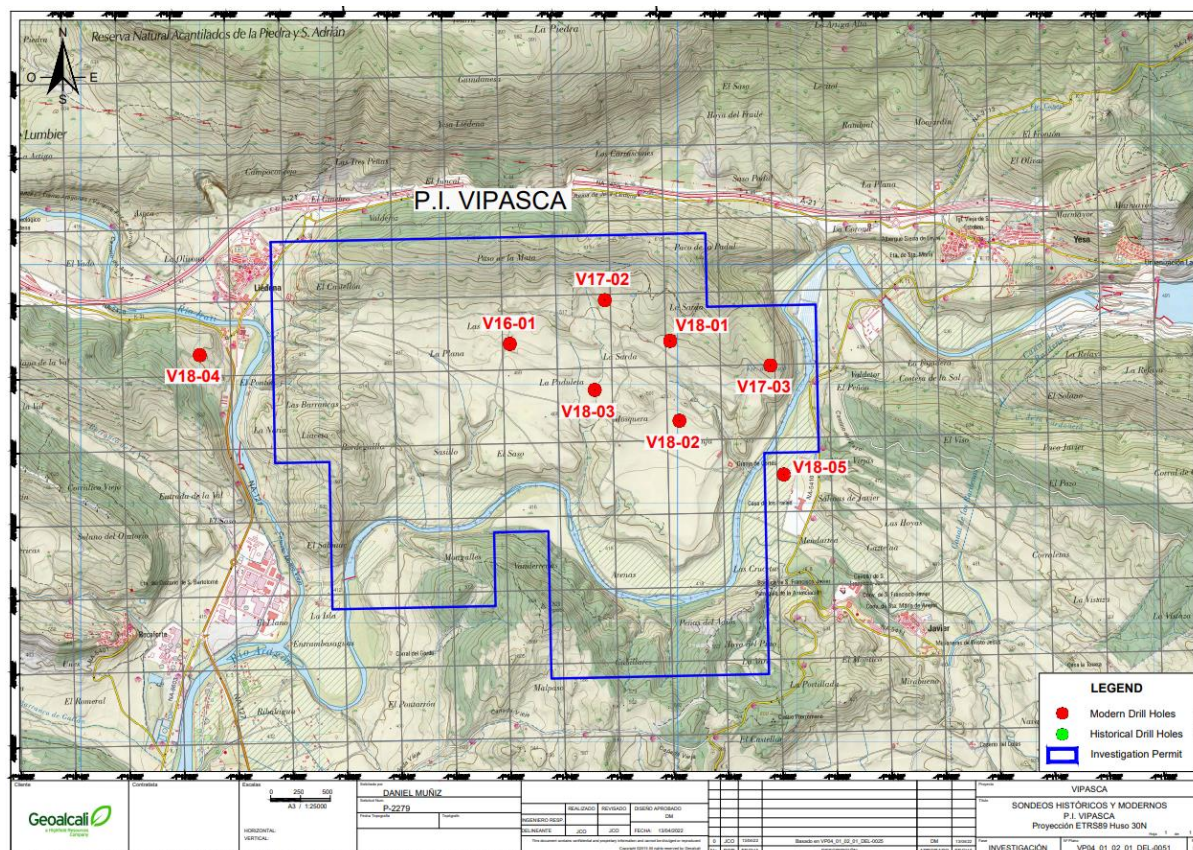


Figure 4: Location of Vipasca drill holes

Highfields Resources

ACN 153 918 257

ASX: HFR

www.highfieldresources.com.au



COMPETENT PERSONS STATEMENT FOR MUGA ORE RESERVES AND MUGA MINERAL RESOURCES

This update was prepared by Mr. Ignacio Salazar Director of Highfield Resources. The information in this update that relates to Ore Reserves is based on information prepared under the direction of Dr Mike Armitage, a Corporate Consultant with SRK Consulting (UK) Limited. Dr. Mike Armitage CEng, CGeol. is the Competent Person who assumes overall professional responsibility for the reported Ore Reserve. The information related with the review of the Life of Mine ("LOM") that underpins the Ore Reserves has been prepared by Mr Chris Bray, who is a full-time employee of and Principal Consultant (Mining) at SRK. The information in this update that relates to Mineral Resources is based on information prepared by Ms Anna Fardell, a Senior Consultant at SRK Consulting (UK) Limited.

Dr Mike Armitage 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 Stock 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 update of the matters based on this information in the form and context in which it appears.

Mr Chris Bray BEng, MAusIMM (CP) is taking responsibility for the review of the LOM plan, as reported by the Company. Mr Bray is a full-time employee and Principal Consultant (Mining) at SRK. He is a Member of and Chartered Professional in the Australasian Institute of Mining and Metallurgy. He is a Mining Engineer with 24 years' experience in the mining and metals industry, including operational experience in underground mines as well as mine planning and review experience on underground potash, salt, lithium and borate projects, and as such qualifies as a CP as defined in the JORC Code. He has also been involved in the reporting of Ore Reserves on various properties internationally for over 10 years.

Ms Anna Fardell is a Senior Resource Geologist employed by SRK, and has over 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 considered a Competent Person (CP) under the definitions and standards described in the JORC Code 2012. Ms Fardell takes responsibility for the Mineral Resource Statement and Exploration Target presented here.

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

COMPETENT PERSONS STATEMENT FOR MINERAL RESOURCES AND EXPLORATION TARGETS OTHER THAN MUGA ORE RESERVES AND 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")

31 March 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(11)	(11)
	(b) development		
	(c) production		
	(d) staff costs	(506)	(506)
	(e) administration and corporate costs	(892)	(892)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (GST/VAT refunded)	265	265
1.9	Net cash from / (used in) operating activities	(1,145)	(1,145)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(2,381)	(2,381)
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(2,381)	(2,381)

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	22,241	22,241
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,145)	(1,145)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,381)	(2,381)
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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(73)	(73)
4.6	Cash and cash equivalents at end of period	18,642	18,642

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	18,642	22,241
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)	18,642	22,241

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**

269

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		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
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)	(1,145)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(2,381)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(3,526)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	18,642
8.5	Unused finance facilities available at quarter end (Item 7.5)	
8.6	Total available funding (Item 8.4 + Item 8.5)	18,642
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	5.29
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: 28 April 2022

Authorised by: the Board of Highfield Resources Limited.

(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.