



ASX: HFR

26 July 2022

HIGHFIELD RESOURCES LIMITED 30 JUNE 2022 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Licence for the construction of the Muga project mine gate and the declines received from the Townhall of Undués de Lerda in Aragón
- Initial construction work started at the Muga Mine
- Project financing mandate letter executed with a group of experienced European mining finance lenders (BNP Paribas S.A., ING Bank N.V., Natixis and Societe Generale) for the €312.5 million senior secured project financing package
- Non-binding indicative term sheet for €23.3 million signed for an equipment operating lease facility with a division of Macquarie Group
- Cash at bank as at 30 June 2022 was: A\$12.7 million

Highfield Resources CEO, Mr Salazar, said:

"We received the construction licence from Aragón and started construction at Muga, while at the same time, signed non-binding indicative financing term sheets totalling €335.8 million in the quarter.

We feel proud of the milestones achieved, and our focus is now to move Muga forward through construction with a great sense of responsibility and gratitude to our shareholders, our staff and support teams, the banks, the community, the authorities and all stakeholders who have helped us to get to this point."



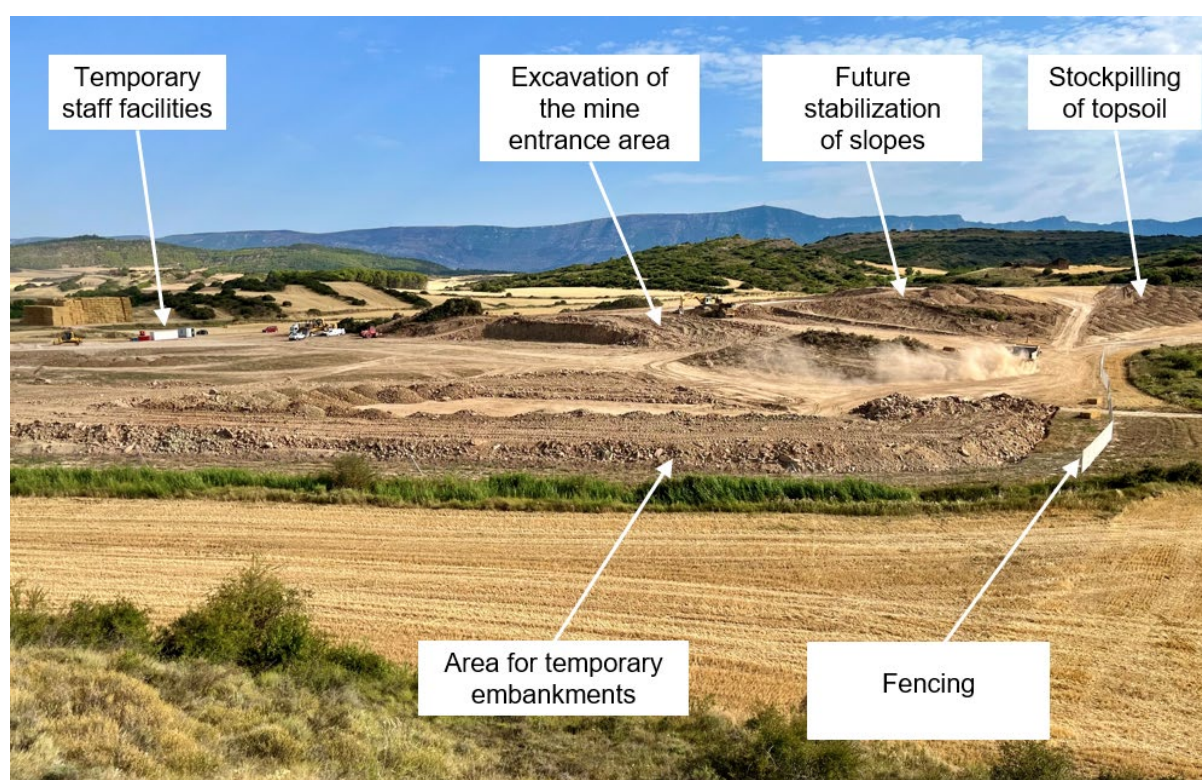
ACTIVITIES IN THE MUGA PROJECT DURING THE QUARTER

Overview

In June 2022, the Townhall of Undués de Lerda (“Undués”) in Aragón issued the licence for the construction of the mine gate and the two underground declines for Highfield Resources’ (“Highfield” or “the Company”) flagship Muga Mine (“Muga” or “the Mine”).

Since receiving this licence, the Company has started initial construction works at Muga. (see Figure 1 below).

FIGURE 1: CURRENT STATUS OF INITIAL CONSTRUCTION WORKS AT MUGA MINE



Muga Project: Construction Update

During the quarter, initial construction work commenced at the Muga Mine site. The Company signed a construction contract with Acciona Construcción S.A. (“Acciona”) for these initial works which cover (see Figure 4):

- Fencing of the plot (see Figure 6);
- Installation of the above ground construction staff facilities (see Figure 7);
- Clearing and stockpiling of topsoil (see Figure 8);
- Excavation of the mine entrance (see Figure 9);
- Formation of embankments; and
- Stabilisation of the slopes with bolts and gunite (dry gun shotcrete).



The construction of the declines is on the critical path of the Muga project's development timetable and, therefore, starting construction of the declines before the construction of the plant improves the Company's internal construction plan.

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

Muga Project: Permitting Update

During the quarter the Townhall of Undués de Lerda in Aragón issued the licence for the construction of the mine gate and the two underground declines.

The local townhalls of Undués de Lerda (Aragón) and Sangüesa (Navarra) (see Figure 4) are the responsible approving authorities for the mine gate and the process plant construction licences respectively. Following on from the grant of the mining concession last year, these two licences are essential for the construction of the Mine.

While starting the work in Undués, the Company continues to maintain its active engagement with the Townhall of Sangüesa and the Government of Navarra to complete the licencing process for the plant.

In line with local licencing procedural laws, the Townhall of Sangüesa requires an official authorisation from the Government of Navarra to allow construction of the processing plant on non-urbanised land before it can complete the construction licence. The authorisation to build the processing plant on a non-urbanised area is the key step in advancing the grant of the construction licence and the Company is currently heavily engaged with the Government of Navarra to finalise this part of the permitting process.

Muga Project Financing

During the quarter, the Company executed a mandate letter for the €300 million senior secured project financing facility ("Facility") and a €12.5 million standby cost overrun facility resulting in an overall debt package of €312.5 million to finance the construction of Muga. A group of four international financial institutions, comprising BNP Paribas S.A., ING Bank N.V., Natixis and Societe Generale (London Branch) will act as the Mandated Lead Arrangers (the "MLAs").

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

The Company also signed a non-binding indicative term sheet for €23.3 million for an equipment operating lease facility with Macquarie Group ("Macquarie"). This Facility will be in addition to the €312.5 million senior secured project financing package.

The recent geopolitical developments in Europe combined with the positive progress demonstrated by the Company on permitting and banking debt are 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 to add Vipasca into the operations of the Company and which will 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.

Cash Position

As at 30 June 2022, the Company had A\$12.7 million in cash. Overall cash outlays in the quarter were A\$5.9m, this represents a 66% increase to the previous quarter mainly due to additional payments related to the construction license awarded by the Townhall of Undués de Lerda and progress with equipment and construction of Muga. These additional payments were the construction licence tax (A\$1.8m), payment of which was necessary before the construction work could commence, and a financial guarantee for the restoration activities to be carried out in the town of Undués de Lerda when the mine ceases operation (A\$0.6m). Excluding these one-off payments, and VAT and customs duties stemming from the import of the compactors purchased from Ludman Industries (see figure 10 and 11) (A\$0.6m), expenditure during the quarter was A\$2.9m which was 18% lower than the previous quarter. This amount includes insurance premiums, the cost of the due diligence process led by external consultants working on behalf of the lenders and G&A expenditure. The Company continues to advance the project while keeping a healthy cash balance by limiting all non-key expenditure

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\$285,000, relate to fees and salaries paid to executive and non-executive Directors during the quarter.

Outlook and Strategy - Plans for September 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 due diligence and credit approval.
- Finalise the potential strategic investor process.
- Continue exploring other sources of capital and equity financing for Muga with shareholders, brokers, investors, banks and other financial parties in collaboration with Endeavour Financial.
- Continue to progress the construction licence for the processing plant with the regional government and Townhall of Sangüesa in Navarra.

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

-ENDS-

QUARTERLY ACTIVITIES REPORT



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Highfields Resources

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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 and the construction licence in Aragón in June 2022. Initial site works for the construction of the Muga mine gate and the two underground declines commenced shortly thereafter.

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.

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QUARTERLY ACTIVITIES REPORT



FIGURE 3: ARTIST'S IMPRESSION OF THE MUGA PROJECT'S PROCESSING PLANT



TABLE 1: SUMMARY OF MINERAL INTERESTS AS OF 30 JUNE 2022

MINING CONCESSIONS												
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	16/06/2022	--	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			

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.

Highfields Resources

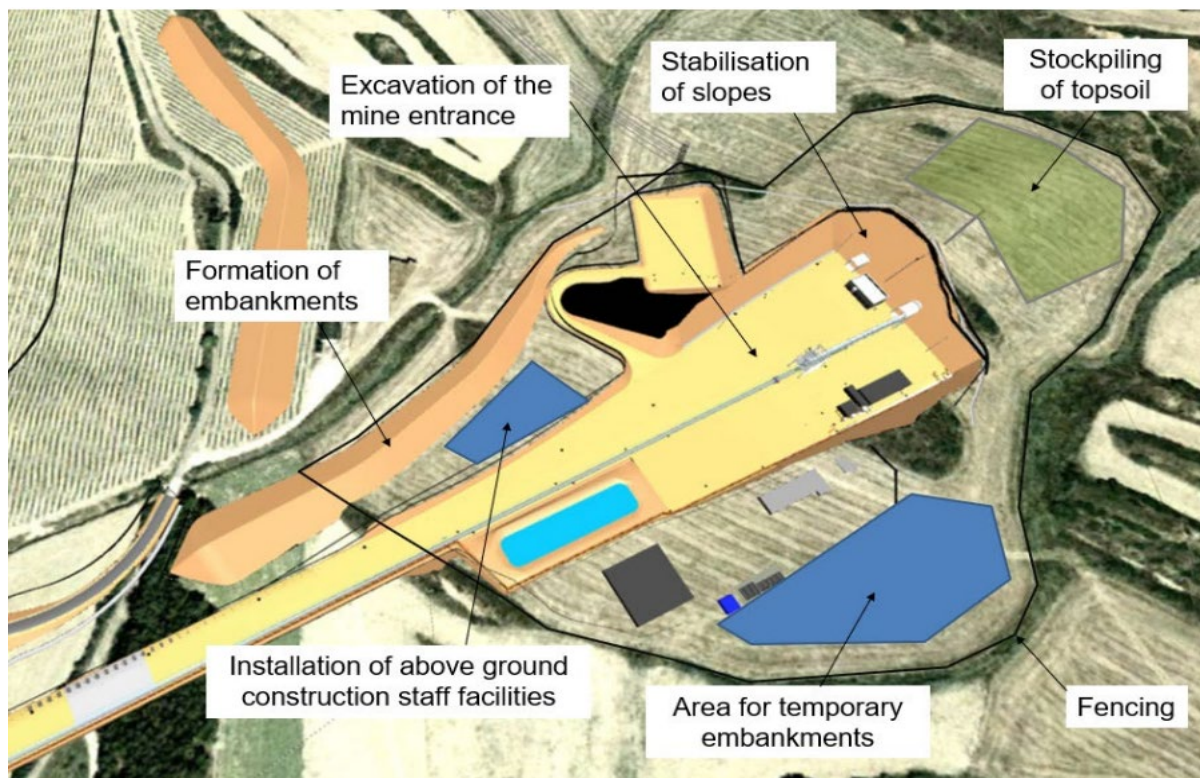
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FIGURE 4: MAP OF INITIAL WORKS



QUARTERLY ACTIVITIES REPORT



FIGURE 5: LOCATION OF MUGA'S LICENCES IN UNDUE'S AND SANGÜESA

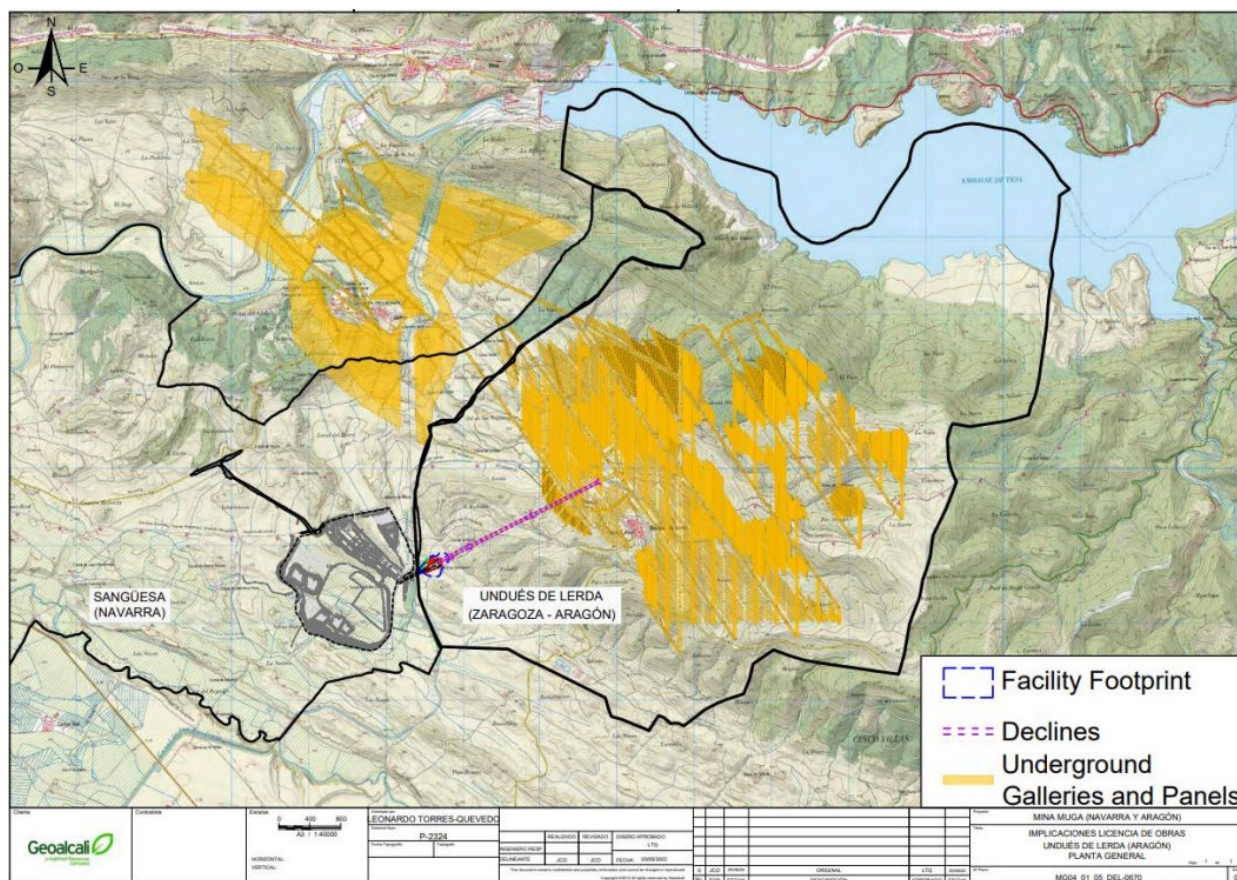




FIGURE 6: INSTALLATION OF FENCING AROUND THE MUGA MINE SITE





FIGURE 7: INSTALLATION OF THE ABOVE GROUND CONSTRUCTION STAFF FACILITIES AT MUGA MINE





FIGURE 8: CLEARING AND STOCKPILING OF TOPSOIL AT MUGA MINE





FIGURE 9: EXCAVATION OF THE MINE ENTRANCE





FIGURE 10: LUDMAN INDUSTRIES COMPACTORS IN THE COMPANY'S SANGÜESA WAREHOUSE





FIGURE 11: LUDMAN INDUSTRIES COMPACTOR GEARBOX FOR PROCESSING PLANT ON-SITE IN SPAIN



Legend

- Modern Drill Holes
- Investigation Permits

Sierra del Perdón
GEOCALCI
 Escala 1:50000
 Proyección UTM ETRS89
 Huso 30

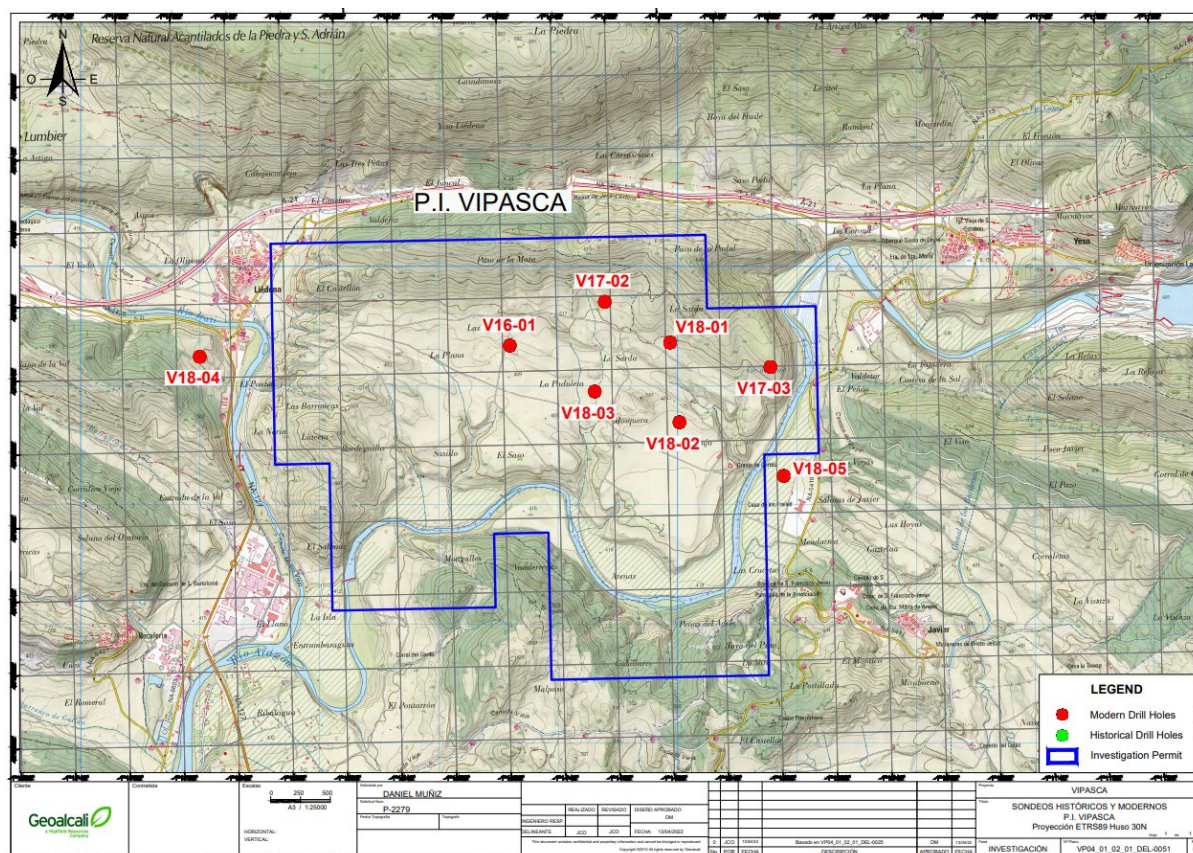
Oliver Vadillo
 P.1353

Sierra del Perdón
 SONDEOS MODERNOS
 PROYECTO SIERRA DEL PERDÓN
 Proyección UTM ETRS89 Huso 30

SP04_01_02-0028



FIGURE 13: LOCATION OF VIPASCA DRILL HOLES





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")

30 June 2022

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)	(13)	(24)
	(b) development		
	(c) production		
	(d) staff costs	(611)	(1,117)
	(e) administration and corporate costs	(1,197)	(2,089)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	2	1
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (GST/VAT refunded)	793	1,058
1.9	Net cash from / (used in) operating activities	(1,026)	(2,171)
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)	(4,932)	(7,313)
	(e) investments		
	(f) other non-current assets		

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	(4,932)	(7,313)

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	18,642	22,241
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,026)	(2,171)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,932)	(7,313)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		

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	(19)	(92)
4.6	Cash and cash equivalents at end of period	12,665	12,665

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	12,665	18,642
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)	12,665	18,642

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**

285

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 all Directors (including the Managing Director) 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. 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)	(1,026)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(4,932)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(5,958)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	12,665
8.5	Unused finance facilities available at quarter end (Item 7.5)	
8.6	Total available funding (Item 8.4 + Item 8.5)	12,665
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.13
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 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.