



14 December 2022

Nicholas Mountain
Adviser, Listings Compliance (Perth)
ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Mr Mountain

Response to ASX aware query

We refer to your letter to Highfield Resources Limited (ASX: HFR) (**Company** or **HFR**), dated 12 December 2022 (**Letter**), and respond as set out below. Unless otherwise defined in this letter, capitalised terms used in this letter have the meanings given to them in the Letter.

1. Does HFR consider the Placement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

The Company considers that the Placement is information that a reasonable person would expect to have a material effect on the price or value of its securities.

2. If the answer to question 1 is “no”, please advise the basis for that view.

Not applicable.

3. When did HFR first become aware of the Placement?

As has been previously disclosed to ASX (including as recently as 3 November 2022 in the announcement titled 'Muga Feasibility Study: Compelling Economics Reconfirmed' (**3 November Release**)), the Company has, for some time, held discussions with potential strategic partners and looked at other sources of capital to ensure the financing needs of the Muga Project are fully covered. Accordingly, HFR has, for some time, been considering and exploring its debt and equity capital raising options. These preparations included a small number of confidential discussions, over a considerable period of time, with strategic investors and investment banks (including the Joint Lead Managers), in connection with various funding proposals.

Each of these discussions were preliminary and incomplete such as to be information that a reasonable person would not expect to have a material effect on the price or value of its securities. No decision to undertake a capital raising was made until after the Company's response to ASX's price query letter of 5 December 2022 (**Price Query Letter**) and before the Announcement. In particular, prior to the response to the Price Query Letter, internal Company discussions in respect of the following matters had not been finalised (which also meant that any capital raising (if one was to be undertaken) was insufficiently definite to warrant disclosure to ASX):

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ASX: HFR

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Highfield
Resources



- the size of any capital raising;
- the price of the securities to be offered under any capital raising (if the capital raising was to take place by way of equity offering);
- the precise form of any capital raising (eg. equity or debt);
- whether any capital raising would be underwritten; and
- at what time any capital raising would be undertaken (if at all).

HFR notes that, in mid-November 2022, management of the Company undertook a non-deal roadshow which involved meetings with certain of its institutional shareholders to provide an update on the Company (limited to information which was already in the public domain). These meetings were undertaken on the express basis that they were not related to a capital raising. The Placement was not discussed at these meetings because it was not yet contemplated.

In terms of the Placement, the decrease in the price of HFR's securities referenced in paragraph A of the Letter (and the subject of the Price Query Letter) spurred the Company to raise capital immediately lest the price decline further.

The Company then entered into mandate-related discussions and capital raising preparations with the Joint Lead Managers and, as disclosed in the Announcement, mandated the Joint Lead Managers to act as joint lead managers of the Placement on 8 December 2022.

4. When did HFR first initiate discussions regarding a potential capital raising?

As noted above and disclosed to ASX, HFR has, for some time, been considering and exploring its debt and equity capital raising options. Accordingly, the market has been aware for some time of the Company's need for capital and the fact that it was exploring capital raising options.

However, discussions relating to the Placement did not commence until 6 December 2022.

5. Please provide a copy of the correspondence or any contemporaneous file note evidencing communications between HFR and the Joint Lead Managers (not for release to the market) by which the Joint Lead Managers initiated discussions regarding a capital raising.

As noted above (and as publicly disclosed in the 3 November Release), the Company had undertaken / held discussions regarding a capital raising for some time. Discussions regarding the Placement did not commence until after the Company's response to the Price Query Letter. In this regard, we attach a copy (not for release to the market) of the first draft Placement term sheet received by the Company from Canaccord on 7 December 2022. This draft term sheet was the basis for discussions with potential investors.

6. Please provide a copy of any terms sheet or mandate (or equivalent) signed with the lead manager in relation to the Placement (not for release to the market). If no such document exists, please confirm this.

We attach a copy (not for release to the market) of the mandate letter with the Joint Lead Managers (and associated materials).



7. Please provide a schedule indicating the identity of the subscribers of the Placement and the number of shares each subscriber will receive (not for release to the market).

We have provided a schedule indicating the identity of the subscribers of the Placement and the number of shares each subscriber will receive.

8. If the answer to question 1 is “yes” and HFR first became aware of the Placement before the relevant date, did HFR make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe HFR was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps HFR took to ensure that the information was released promptly and without delay.

As noted above, the Company became aware of the Placement, specifically, on 6 December 2022 (i.e., prior to its request for a trading halt on 8 December 2022 (**Trading Halt**)). HFR was aware of a potential capital raising prior to this, but this had already been announced to the market (as to which, see the 3 November Release).

The Placement was not announced prior to 8 December 2022 because, before the Company's response to the Price Query Letter, the Placement was not contemplated and, once the Placement was contemplated thereafter, the Company was under no obligation to disclose the Placement by virtue of the operation of Listing Rule 3.1A. In particular, the Placement was either or both incomplete and subject to negotiation or insufficiently definite to warrant disclosure (as to which, see our response to Question 3 above), as well as:

- was confidential (as to which, see below); and
- could not be reasonably be expected to be disclosed.

After the Company's response to the Price Query Letter and before the Trading Halt request, HFR considered the Placement to be confidential because there had been no media releases, press articles or public information released to the market which would indicate that HFR was considering undertaking the Placement.

On the basis of the above, HFR's view was that confidentiality had, prior to the relevant date, not been lost regarding the Placement as such information was incomplete and insufficiently definite to warrant disclosure. On this basis, the Company determined that no announcement was necessary until the terms of the Placement became complete and no longer subject to negotiation.

The Company settled the terms of the Placement with the Joint Lead Managers on 8 December 2022 and requested a Trading Halt so as to ensure that the market was not trading on an uninformed basis while marketing of the Placement occurred. Once the marketing of the Placement concluded and binding bids from investors had been received, HFR made the Announcement on 12 December 2022 ('Successful Equity Raising of A\$13 million'), following board approval of that Announcement.

9. Please confirm that HFR is complying with the Listing Rules and, in particular, Listing Rule 3.1.

The Company confirms that HFR is complying with the Listing Rules and, in particular, Listing Rule 3.1.



10. **Please confirm that HFR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HFR with delegated authority from the board to respond to ASX on disclosure matters.**

The Company confirms that its responses to the questions above have been authorised by its board of directors.

Please do not hesitate to contact me if further information is required

Yours faithfully

Ms Katelyn Adams
Company Secretary
Highfield Resources Limited



12 December 2022

Reference: 65504

Mr Katelyn Adams
Company Secretary
Highfield Resources Limited

By email: kadams@hlbsa.com.au

Dear Mr Adams

Highfield Resources Limited('HFR'): Aware Query

ASX refers to the following:

- A. The decrease in the price of HFR's securities from \$0.805 at the close of trading 2 December 2022 to an intraday low of \$0.645 and the increase in the volume of securities traded on 5 December 2022;
- B. ASX's price and volume query letter dated 5 December 2022 ('Price and Volume Query') and HFR's response to the Price and Volume Query dated 5 December 2022, released together on the ASX Market Announcements Platform ('MAP') at 6.13pm AEDT, in which HFR responded to each question as follows (responses in italics):

1. Is HFR aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?

The Company is not aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in the Company's securities.

2. If the answer to question 1 is "yes".

- (a) Is HFR relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1? Please note that the recent trading in HFR's securities would suggest to ASX that such information may have ceased to be confidential and therefore HFR may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is "yes", you need to contact us immediately to discuss the situation.
- (b) Can an announcement be made immediately? Please note, if the answer to this question is "no", you need to contact us immediately to discuss requesting a trading halt (see below).
- (c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?

Not applicable.

3. If the answer to question 1 is "no", is there any other explanation that HFR may have for the recent trading in its securities?

The Company is not aware of any other explanation for the recent trading in its securities.

4. Please confirm that HFR is complying with the Listing Rules and, in particular, Listing Rule 3.1.

The Company confirms it is in compliance with the Listing Rules, in particular Listing Rule 3.1.

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5. Please confirm that HFR's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of HFR with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that the responses to the questions outlined in the letter have been authorised and approved by the Board of Directors.

- C. HFR's request for a trading halt provided to ASX and released on MAP at 9:16 am AEDT on 8 December 2022. HFR requested the trading halt be granted pending the release of an announcement by HFR in relation to a capital raising. The trading halt was granted on this basis and put in place prior to market open on 8 December 2022. The trading halt was to remain until the earlier of commencement of trading on 12 December 2022 or when the announcement was released to the market.
- D. HFR's announcement entitled "Successful Equity Raising of A\$13 million to Fund Continued Progress at the Muga Mine" lodged on the ASX Market Announcements Platform and released at 10:12 am AEDT on 12 December 2022 (the 'Announcement'), disclosing that:
1. HFR had agreed to place 21,600,000 shares at an issue price of \$0.62 per share to raise \$13,000,000 before costs (the 'Placement');
 2. Each participant would be allocated one (1) unlisted free attaching option for every two (2) shares received in the Placement exercisable at \$0.93 within 18 months from the date of issue;
 3. Canaccord Genuity (Australia) Limited and Taylor Collison Limited were mandated on 8 December 2022 to act as Joint Lead Managers to the Placement (the 'Joint Lead Managers'); and
 4. The price per share represented a discount of:
 - (i) 10.1% to HFR's last closing price of \$0.69 per share on 7 December 2022;
 - (ii) 13.2% to HFR's 5-day VWAP of \$0.714 per share; and
 - (iii) 15.0% to HFR's 10-day VWAP of \$0.729 per share.
- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*

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- *The information is generated for the internal management purposes of the entity; or*
 - *The information is a trade secret; and*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 *A reasonable person would not expect the information to be disclosed.”*
- H. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for information

Having regard to the above, ASX asks HFR to respond separately to each of the following questions and requests for information:

1. Does HFR consider the Placement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did HFR first become aware of the Placement?
4. When did HFR first initiate discussions regarding a potential capital raising?
5. Please provide a copy of the correspondence or any contemporaneous file note evidencing communications between HFR and the Joint Lead Managers (not for release to the market) by which the Joint Lead Managers initiated discussions regarding a capital raising.
6. Please provide a copy of any terms sheet or mandate (or equivalent) signed with the lead manager in relation to the Placement (not for release to the market). If no such document exists, please confirm this.
7. Please provide a schedule indicating the identity of the subscribers of the Placement and the number of shares each subscriber will receive (not for release to the market).
8. If the answer to question 1 is “yes” and HFR first became aware of the Placement before the relevant date, did HFR make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe HFR was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps HFR took to ensure that the information was released promptly and without delay.
9. Please confirm that HFR is complying with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that HFR’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HFR with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10:00 am AWST Thursday, 15 December 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, HFR's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require HFR to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in HFR's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in HFR's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to HFR's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that HFR's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Nicholas Mountain
Adviser, Listings Compliance