

**ASX: HFR** 

23 January 2023

# HIGHFIELD RESOURCES LIMITED 31 DECEMBER 2022 QUARTERLY ACTIVITIES REPORT

#### **HIGHLIGHTS**

- Highfield Resources ("Highfield" or the "Company") signed the principal facility documentation for €320.6 million Senior Secured Project Financing for Muga Project Development with a group of experienced European mining finance lenders (BNP Paribas S.A., ING Bank N.V., Natixis and Societe Generale).
- Muga Feasibility Study updated taking into account Project progress, bank's due diligence, updated offers, prices and construction contracts (refer ASX 02 November 2022, "Updated Muga Feasibility Study"), reconfirming the Project's compelling economics.
- Authorisation received for the Muga process plant construction from the Government of Navarra - an important prerequisite and pivotal milestone towards obtaining the final approval from the Town Hall of Sangüesa.
- A\$13 million raised via an institutional placement to new investors and existing shareholders, including high-quality institutional Australian and offshore based investors.
- Successful completion of the initial construction works around the mine-gate at the Muga Potash Mine ("Muga or the "Project").
- Cash at bank as at 31 December 2022 was: A\$19.4 million.

#### Highfield Resources CEO, Mr Salazar, said:

"After an extensive and thorough process, we finally signed and received commitment from leading banks to provide finance €320.6 million, with attractive terms and conditions, for the Muga project.

We kept progressing, as planned, and successfully finalised the preliminary works around the minegate in Aragón, while the Government granted us the authorisation for the construction of the process plant in Navarra.

With the works around the minegate completed, we look forward to receiving the licence from Sangüesa and completing the financial strategic process, as a final step to embark on the construction of the main facilities of the Muga mine."



#### **ACTIVITIES IN THE MUGA PROJECT DURING THE QUARTER**

#### **Muga Project: Construction Update**

During the quarter, the main initial construction work around the mine-gate was finalised. The slopes were finished, bolted and shotcreted to ensure the long-term stability. The mine-gate area is now ready for when the ramps excavation starts. The work was completed to schedule and within the planned cost.

FIGURE 1. VIEW OF THE SLOPES WITH SHOTCRETE, BOLTS AND DRAINAGES



FIGURE 1. OVERVIEW OF THE BOX CUT AND SURFACE DRAINAGES FROM THE TEMPORARY EMBANKMENT







#### **Muga Project: Permitting Update**

During the quarter, the Company received authorisation from the Government of Navarra to build Muga's process plant on non-urbanised land within the municipality area of Sangüesa.

This Authorisation follows the granting of the construction licence for the mine-gate and declines from the Town Hall of Undués de Lerda (Aragón) and the licence for the construction of the electricity line from the main network to the Muga Mine by the Town Hall of Sangüesa (Navarra).

In line with Navarran licencing and procedural laws, the Town Hall of Sangüesa was required to seek authorisation from the Government of Navarra to officially allow construction of the process plant on non-urbanised land. This authorisation required a thorough review of the Muga's process plant construction against Sangüesa's urbanistic plan and any other land management legislation as well as confirming there were no potential constraints related to its location.

Although the Town Hall of Sangüesa still needs to finalise the granting of the process plant construction licence, the authorisation obtained from the Government of Navarra is a very important prerequisite and pivotal milestone.

To secure this Authorisation, the Government of Navarra, the Town Hall of Sangüesa and the Company maintained significant levels of engagement and will continue to work together to expedite the grant of the process plant construction licence.

#### **Muga Project Financing**

During the quarter, the Company announced (refer ASX 23 December 2022, "Project Financing - Definitive Documentation Signed") that it had signed the principal credit facilities (the "Senior Facilities") between Highfield, its Spanish subsidiary, Geoalcali S.L.U., and a syndicate of four international financial institutions acting as Mandated Lead Arrangers (the "MLAs"). The Senior Facilities of up to €320.6 million will fund the construction and development of the Muga Project. The MLAs are BNP Paribas S.A., ING Bank N.V., Natixis CIB and Societe Generale (London Branch).

Following the exhaustive due diligence undertaken through the Project finance process and the progress that the Project technical team has made in the quarter incorporating updated offers, prices, and contracts related to construction of the Project, the Company updated the Muga Feasibility Study (refer ASX 02 November 2022, "Updated Muga Feasibility Study"). This update reconfirmed the compelling economics of the Project:

- NPV<sub>8</sub> of €1.82 billion and 21% IRR;
- At full production, EBITDA of around €410 million per annum;
- Economics resulting in a 30-year mine life;
- Sensitivity analysis using current flat real spot prices for the whole life of mine results in a post-tax NPV<sub>8</sub> of €3.1 billion and a 42% IRR;
- phase 1 capex of €436 million; and
- phase 2 capex of €226 million.

Towards the end of the quarter, Highfield successfully raised A\$13 million via an institutional placement. The Company received firm commitments from institutional, sophisticated and professional investors for the placement of ordinary shares of the Company.





The Placement was oversubscribed with strong support from new and existing shareholders, including high-quality institutional investors based domestically and offshore. Proceeds of the Placement will provide a runway to finalise the project finance with other strategic alternatives to complete the construction funding including its €23.3 million operating lease facility with Macquarie Group and will be used to fund early work activities at Muga as well as general working capital and corporate costs.

#### **Exploration**

In order to add Vipasca into the operations of the Company, Highfield requested the Government of Navarra to transfer the Vipasca investigation permit into a mining concession. This 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 31 December 2022 the Company's cash balance was A\$19.4 million. Cash outlays in the period of A\$4.5 million were driven by a number of essential payments to continue to move the Project forward, namely finalising the early works at the mine gate (A\$1.1m), Project Finance related expenditure (A\$0.6m), as well as equipment, ramps and civil engineering fees (A\$1.3m). General admin costs were in line with previous quarters at A\$1.5 million.

The Company maintains a strict discipline managing its cash flow while still achieving important progress developing the project.

#### **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\$261,000, relate to fees and salaries paid to executive and non-executive Directors during the quarter.

#### **Outlook and Strategy - Plans for March 2023 Quarter**

Preparation for the Construction phase:

- Tender the ramp construction and finalise the construction agreement with our construction partner, Acciona.
- Progress negotiations with other sources of capital and equity financing for Muga with strategic partners, shareholders, brokers, investors, banks and other financial parties in collaboration with Endeavour Financial.
- Obtain the construction licence for the processing plant with the Townhall of Sangüesa in Navarra.

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

-ENDS-

For more information:

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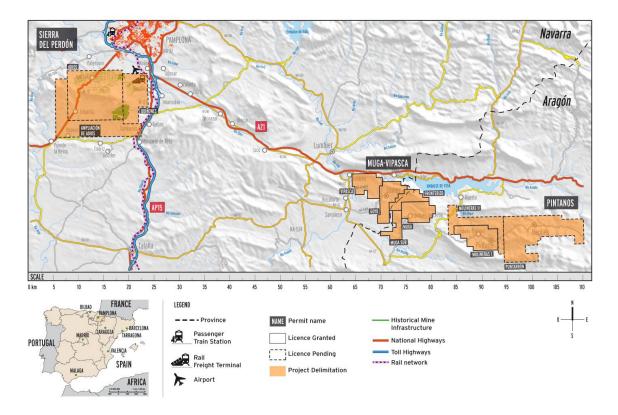
#### **ABOUT HIGHFIELD RESOURCES**

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 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 which commenced shortly thereafter are now finalised.

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, since February 2022 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 250km<sup>2</sup>.

FIGURE 4: LOCATION OF MUGA-VIPASCA, PINTANOS, AND SIERRA DEL PERDÓN TENEMENT AREAS IN NORTHERN SPAIN





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FIGURE 5: ARTIST'S IMPRESSION OF THE MUGA PROJECT'S PROCESSING PLANT



TABLE 1: SUMMARY OF MINERAL INTERESTS AS OF 31 DECEMBER 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			3500-10	14.4	_Geoalcali SL	100%
									38.70		
INVESTIGATION PERMITS										<del></del> '	
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 (under	Investigation	06/11/2013	11/12/2014	09/04/2018	30/04/2021	35900	14.1	Geoalcali SL	100%
		concession process)							14.1	_	
									14.1	_	
Muga	Aragón	Muga Sur	Investigation	25/09/2014	30/06/2020	16/06/2022		3524	7.28	Geoalcali SL	100%
- Inaga	, augon	maga oa	vooligation	20/00/2011	00/00/2020	10/00/2022		0021	7.28		10070
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			3509	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.





FIGURE 6: LOCATION OF SIERRA DEL PERDÓN DRILL HOLES

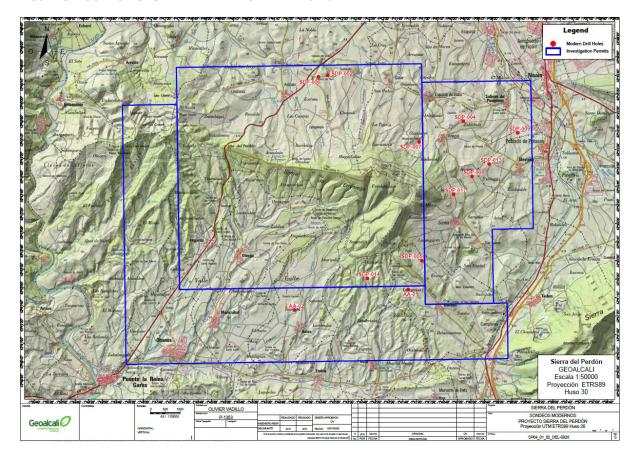
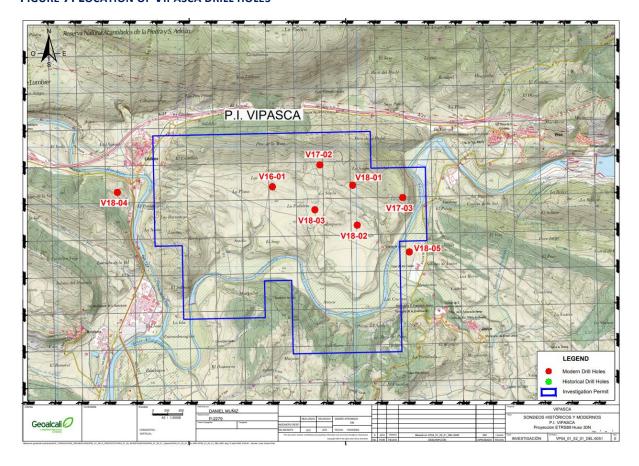








FIGURE 7: LOCATION OF VIPASCA DRILL HOLES





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#### 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	Quarter ended ("current quarter")				
51 153 918 257	31 December 2022				

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(6)	(55)
	(b) development		
	(c) production		
	(d) staff costs	(537)	(2,117)
	(e) administration and corporate costs	(1,053)	(3,759)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	20	26
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (GST/VAT refunded)	150	1,904
1.9	Net cash from / (used in) operating activities	(1,426)	(4,001)

2.	Ca	sh flows from investing activities	
2.1	Pay	ments to acquire:	
	(a)	entities	
	(b)	tenements	
	(c)	property, plant and equipment	
	(d)	exploration & evaluation (if capitalised)	(3,108)
	(e)	investments	
	(f)	other non-current assets	

ASX Listing Rules Appendix 5B (01/12/19)

Con	solidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(3,108)	(12,145)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	13,400	13,400
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		810
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(737)	(737)
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	12,663	13,473

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,308	22,241
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,426)	(4,001)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,108)	(12,145)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,663	13,473

ASX Listing Rules Appendix 5B (01/12/19) + See chapter 19 of the ASX Listing Rules for defined terms.

Con	solidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	9	(122)
4.6	Cash and cash equivalents at end of period	19,446	19,446

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	19,446	11,308
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)	19,446	11,308

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	261
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

7.	Financing facilities  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.	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 qua	arter end	
7.6	Include in the box below a description of each rate, maturity date and whether it is secured of facilities have been entered into or are proposinclude a note providing details of those facilities.	or unsecured. If any addi sed to be entered into af	tional financing

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,426)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(3,108)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(4,534)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	19,446
8.5	Unused finance facilities available at quarter end (Item 7.5)	
8.6	Total available funding (Item 8.4 + Item 8.5)	19,446
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	4.29

- 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?
Ansv	ver:
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Ansv	ver:

#### **Compliance statement**

- 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: 23 January 2023

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.
- 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.