



ASX: HFR

24 April 2023

HIGHFIELD RESOURCES LIMITED

31 MARCH 2023 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- The remaining licence needed to begin full scale production of the Muga Potash Mine's Process Plant was granted by the local authority – the Townhall of Sangüesa in Navarra.
- HSBC Continental Europe and Caja Rural de Navarra signed definitive documentation to join the previously announced €320.6 million senior secured project financing package for the development of the Company's flagship Project, the Muga Project ("Muga" or the "Project").
- Cash at bank as at 31 March 2023 was: A\$9 million.

Highfield Resources CEO, Mr Salazar, said:

"This quarter has been arguably one of the most important ones in Highfield's history. After a lot of effort, the grant of the pending construction licence in Navarra for the process plant concludes the permitting phase for the Company. My gratitude again to so many people who one way or another supported us in this challenging process.

The addition of HSBC and Caja Rural de Navarra as lenders in the senior facility reconfirms the robustness of the Project and our financing plan. The Company will now focus on finalising the remaining financing needs of the Project and start construction as soon as possible."



ACTIVITIES IN THE MUGA PROJECT DURING THE QUARTER

Muga Project: Permitting Update

During the quarter, the remaining licence for the construction of the Muga Potash Mine's Process Plant was granted by the Townhall of Sangüesa in Navarra.

The local townhalls (councils) of Undués de Lerda (Aragón) and Sangüesa (Navarra) are the responsible approving authorities for the mine and the process plant construction licences respectively. Following on from the grant of the mining concession, these two licences were essential for the construction of the Muga project. The Company now has the required permits to begin the full-scale construction of Muga comprising the civil works, the process plant and the declines

Muga Project Financing

Following the quarter end, the Company announced (refer ASX 17 April 2023, "Additional Lenders join Senior Project Financing Group") that in addition to the existing four international financial institutions acting as Mandated Lead Arrangers ("MLA"), BNP Paribas S.A., ING Bank N.V., Natixis CIB and Societe Generale (London Branch), HSBC Continental Europe and Caja Rural de Navarra have joined the €320.6 million Senior Facilities as Lenders.

The terms of the Senior Facilities are as previously announced (refer ASX, 30 March 2022 "Project Financing - Indicative Term Sheet Agreed"), and the first drawdown is expected to occur upon satisfaction of certain conditions precedent customary for financing transactions of this nature.

Exploration

In order to add the Vipasca resource 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 March 2023 the Company's cash balance was A\$9 million. Cash outlays during the quarter of A\$10.5 million were primarily driven by the payments of half of the financing fees to the MLAs (A\$6.4m) as well as legal and other related charges (A\$0.7m) on the back of the execution of the Facilities Agreement in late 2022. This will directly reduce the total funding needs of the Company going forward. Other than this, there were payments to settle invoices related to the mine gate works completed in December 2022 (A\$0.9m), equipment, declines and civil engineering fees (A\$0.6m) and general admin costs (A\$1.8 million).

The Company continues to take a prudent approach to cash preservation while advancing the Project. As a result, while the Company was waiting for the Sangüesa construction licence, the staff of Highfield were subject to a furlough scheme with a 20% reduction in salaries during February and March 2023. The Directors and all consultants working with the Company were also aligned in this effort with a 20% reduction in fees. The Company has been implementing a financing plan and is progressing



negotiations with different potential sources of capital and equity financing in order to protect the progress of the Project and build the Muga Mine.

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\$192,000, relate to fees and salaries paid to executive and non-executive Directors during the quarter.

Sustainability Report and Annual Report

On 30 March 2023 the Company released its 31 December 2022 Annual Report which also includes its 2022 Sustainability Report.

Outlook and Strategy - Plans for March 2023 Quarter

Preparation for the Construction phase:

- Tender the decline construction and finalise the construction agreement with the Company's 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.

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

-ENDS-

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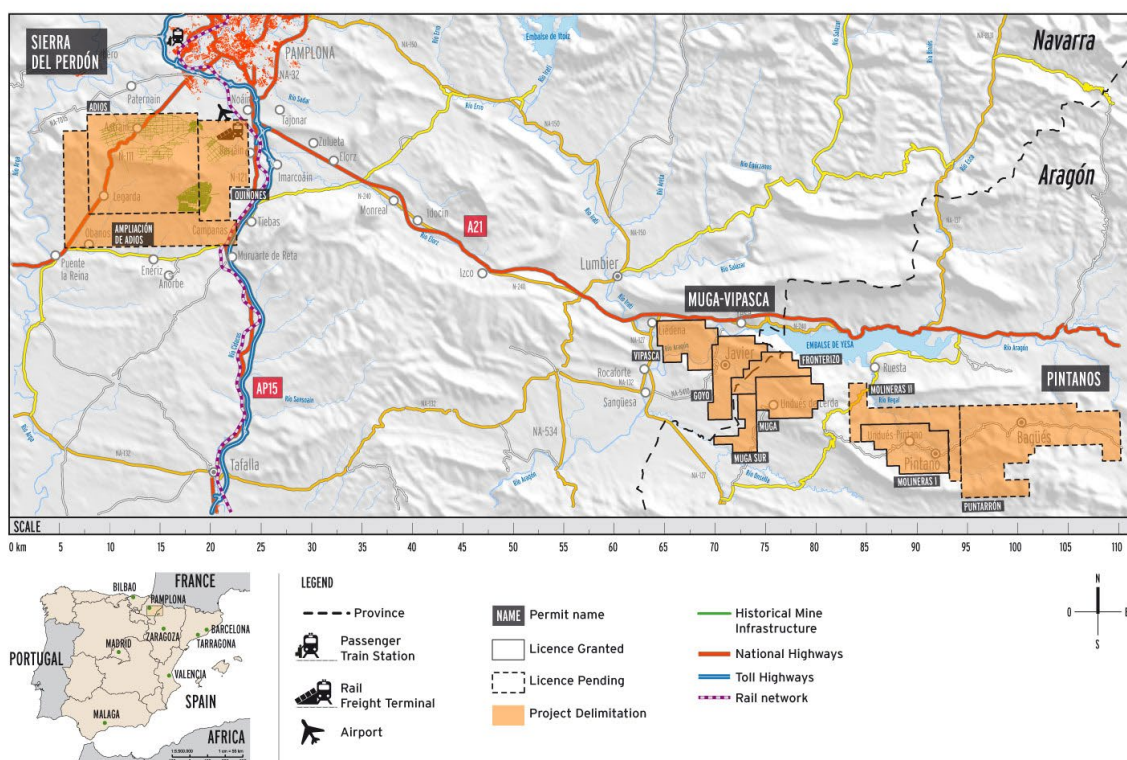
ABOUT HIGHFIELD RESOURCES

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 now received all permits and key licences needed. With the Mining Concession being granted in July 2021, the decline construction licence in Aragón in June 2022 and the process plant construction licence in Navarra in March 2023. Following the finalisation of the initial site preparatory work of the mine gate and decline area, full scale construction is expected to commence in the second half of 2023.

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 Muga’s secure southern European location, since February 2022 events in Russia and Belarus have heightened 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



TABLE 1: SUMMARY OF MINERAL INTERESTS AS OF 31 MARCH 2023

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												
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 concession process)	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	--	--	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 3: LOCATION OF SIERRA DEL PERDÓN DRILL HOLES

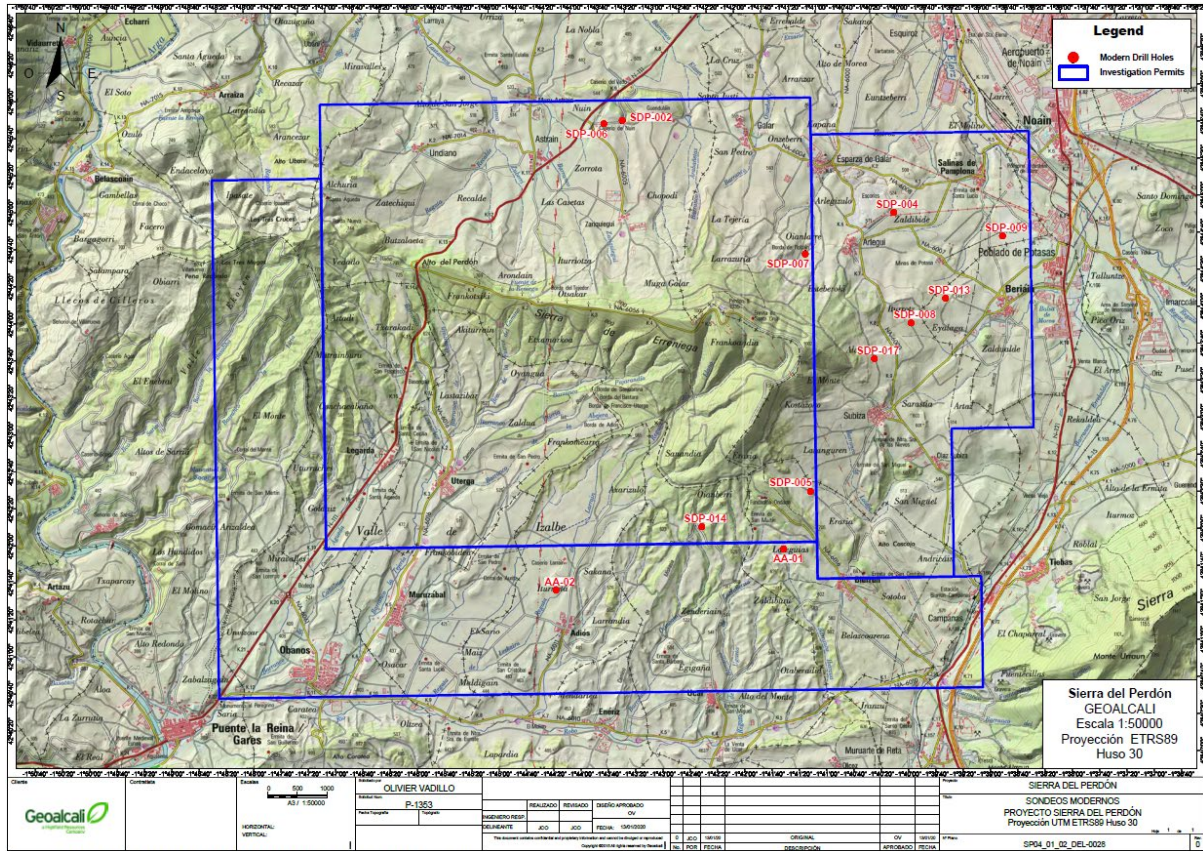
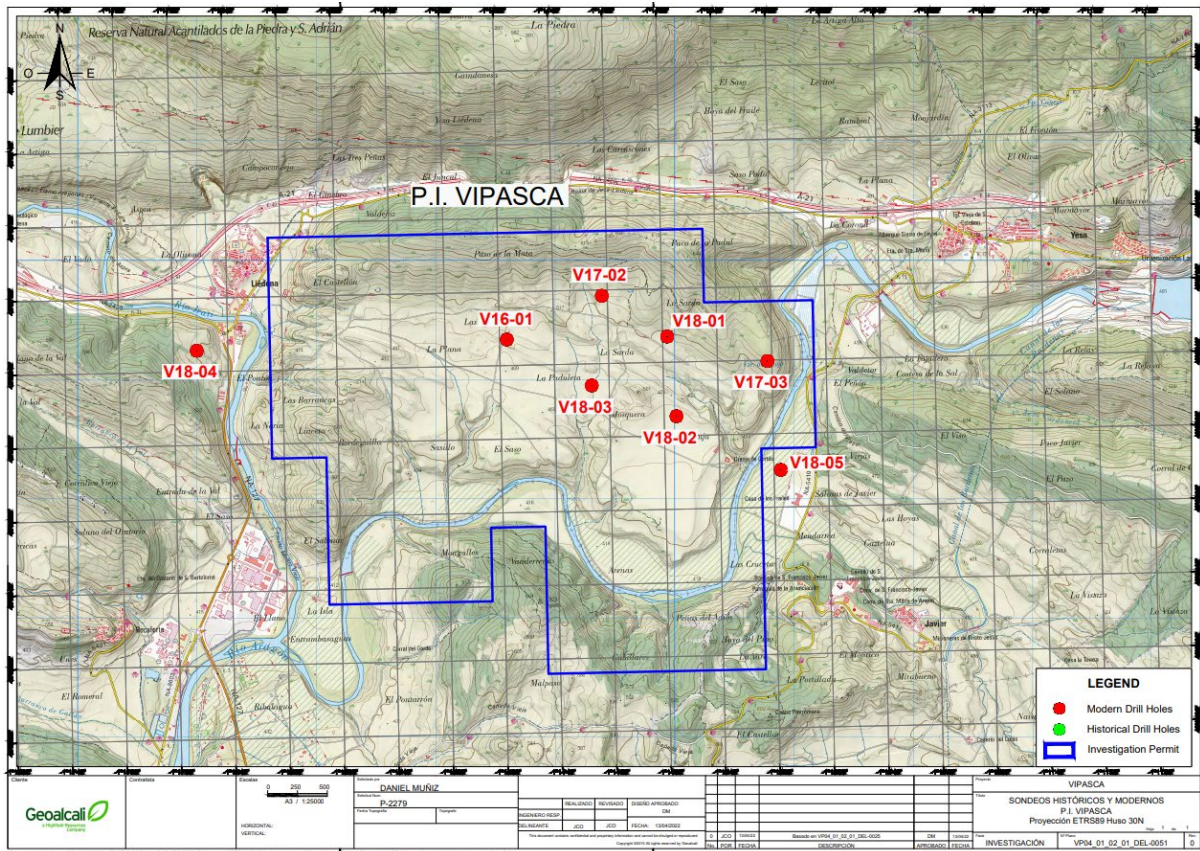




FIGURE 4: LOCATION OF VIPASCA DRILL HOLES





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")

31 March 2023

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)	(1)	(1)
(b) development		
(c) production		
(d) staff costs	(731)	(731)
(e) administration and corporate costs	(7,529)	(7,529)
1.3 Dividends received (see note 3)		
1.4 Interest received	20	20
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST/VAT refunded)	348	348
1.9 Net cash from / (used in) operating activities	(7,893)	(7,893)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(874)	(874)
(d) exploration & evaluation (if capitalised)	(1,688)	(1,688)
(e) investments		
(f) other non-current assets		

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (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	(2,562)	(2,562)

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	19,446	19,446
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,893)	(7,893)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,562)	(2,562)
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	(84)	(84)
4.6	Cash and cash equivalents at end of period	8,907	8,907

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	8,907	19,446
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)	8,907	19,446

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	192
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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. 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)	(7,893)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,688)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(9,581)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	8,907
8.5 Unused finance facilities available at quarter end (Item 7.5)	
8.6 Total available funding (Item 8.4 + Item 8.5)	8,907
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.93

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: No, the Company has implemented a financing plan and is progressing negotiations with different sources of capital and equity financing in order to protect the progress of the Project and build the Muga mine.

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: The Company can confirm that it is taking steps and looking at various options to continue to fund its operations, [including negotiations with several strategic investors and discussions with brokers, shareholders and investors in general. While these negotiations are confidential, ongoing and incomplete, the Company considers that they have been encouraging and it has a reasonable expectation of continuing to fund its operations.]

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: Based on the current financing plans the Company expects to be able to continue operating.

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: 24 April 2023

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.