



ASX: HFR

23 May 2023

Highfield secures a key strategic investment of A\$25m from EMR Capital and Tectonic Investment Management

HIGHLIGHTS

- Highfield Resources Limited (ASX: HFR) (“Highfield” or the “Company”) has secured a key strategic investment from funds managed by EMR Capital Management Limited (“EMR Capital”) and funds managed by Tectonic Investment Management and related parties (“Tectonic”).
- The investment will be in the form of convertible notes, resulting in a cash injection of approximately A\$25 million.
- Following the receipt of the final construction licence for the Muga Mine (“Muga” or the “Project”), the Project is fully permitted and shovel-ready.
- The proceeds of this investment are expected to allow Highfield to continue to move the Project forward and finalise discussions with other potential strategic and financial investors to fully finance the Project.

Highfield is pleased to announce that it has secured a key strategic investment of approximately A\$25 million from EMR Capital and Tectonic (the “Lenders”) under a convertible note deed, dated 22 May 2023, between the Company and the Lenders (“CND”). With this investment, EMR Capital and Tectonic demonstrate their continued commitment to Highfield, particularly in light of the receipt of the final licence for the Project. The Company expects that this investment will assist it in meeting its objective to build on the substantial progress the Company has made in recent months by funding essential costs associated with advancing the Project and allowing it to progress discussions with strategic and financial investors to fully finance the project.

The Lenders have agreed to make the investment by way of limited security loan notes, convertible into fully paid ordinary shares in the Company (the “Convertible Notes” or “Notes”). An outline of the key terms Convertible Notes is as follows:

- EMR Capital to invest approximately A\$18m¹ and Tectonic to invest A\$7m;
- Maturity date of 24 months (2 years) from the Convertible Notes completion date;

¹ The EMR investment is US\$12m.



- The Lenders may choose to convert all or some of the total amount outstanding Convertible Notes into fully paid ordinary shares in the Company ("Shares") at any time;
- However, if the Convertible Notes remain outstanding at the time of first drawdown under the senior debt facility for the Project, the outstanding Convertible Notes amount shall mandatorily convert into Shares of the Company at the conversion price;
- The conversion price for the Convertible Notes is the lower of a 25% discount to the price implied by a change of control transaction relating to the Company, the volume weighted average price of the Shares as traded on ASX over the 20 trading days prior to the date of the CND ("VWAP"), being A\$0.515 per share ("Base Conversion Price") and a 10% discount to the price of any future equity capital raising by the Company (subject to a floor of half of the Base Conversion Price);
- Interest on the investment will be paid in kind via addition to the Convertible Notes Amount; and
- The Convertible Notes will be secured by a share pledge over all of the shares in and shareholder loans to, the Company's indirect wholly-owned subsidiary Geoalcali S.L.U (which owns the Project).

Further detail on the terms of the Convertible Notes is set out in the cleansing notice lodged under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) at the same time as this announcement.

The issuance of the Convertible Notes to Tectonic does not require approval of the Company's shareholders as it is being made in reliance on the Company's available placement capacity under ASX Listing Rule 7.1. The issuance of the Convertible Notes to Tectonic occurred today.

The issuance of the Convertible Notes to EMR Capital remains subject to and conditional upon receipt of approval for the issuance of the Notes from the Company's shareholders under ASX Listing Rule 10.1 ("Shareholder Approval") at a general meeting of the Company to be held on or about 21 June 2023, pursuant to a notice of meeting despatched by the Company at the same time as this announcement. If Shareholder Approval is granted, the Notes will be issued to EMR Capital following that meeting. In addition, the convertibility of the Convertible Notes issued to EMR Capital is subject to EMR Capital receiving approval from the Foreign Investment Review Board.

The proceeds of the investment are expected to allow the Company to continue to advance the Project, and to finalise discussions with other potential strategic and financial investors to fully finance the Project. Specifically the funds will be used to meet costs including:

- Pre-construction costs such as long lead-time items, land acquisitions, technical studies, construction taxes and preparation of construction;
- Project finance fees, transaction and due diligence costs for deals with potential strategic investors; and
- Corporate G&A / working capital costs of the Company.

Ignacio Salazar, Highfield Resources MD and CEO, commented: "EMR Capital has been a long supporter of Highfield. At this key moment in the Company's journey, having concluded the permitting phase, together with Tectonic, their recognition of the Company's achievements and their support is important in facilitating the commencement of construction of Muga, which is now well-placed to



deliver on its potential to become a strategically located, low-cost, long-term supplier of potash, produced in an environmentally responsible manner.”

Owen Hegarty, EMR Capital Chairman, commented: *“EMR Capital is a supportive shareholder of Highfield and sees Muga as a globally significant potash project. The Company has recently achieved important milestones, including receipt of the final construction licence for Muga and the signing of definitive documentation for senior secured project financing. With the development of the project imminent, EMR Capital is pleased to support Highfield to strengthen its financial capacity and flexibility ahead of finalising strategic discussions, project funding and commencing construction. Highfield represents a truly unique and exciting opportunity to invest in the potash sector and to support long-term fertilizer availability and food security in Europe.”*

Benjamin Haan, Tectonic Investment Management CIO, commented: *“Tectonic has been a longstanding shareholder of Highfield and is pleased to support the Company at this significant juncture in its path to production. We look forward to Highfield commencing full-scale construction of Muga in the near term and becoming a globally significant, low-cost producer of potash in the coming years”.*

-ENDS-

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

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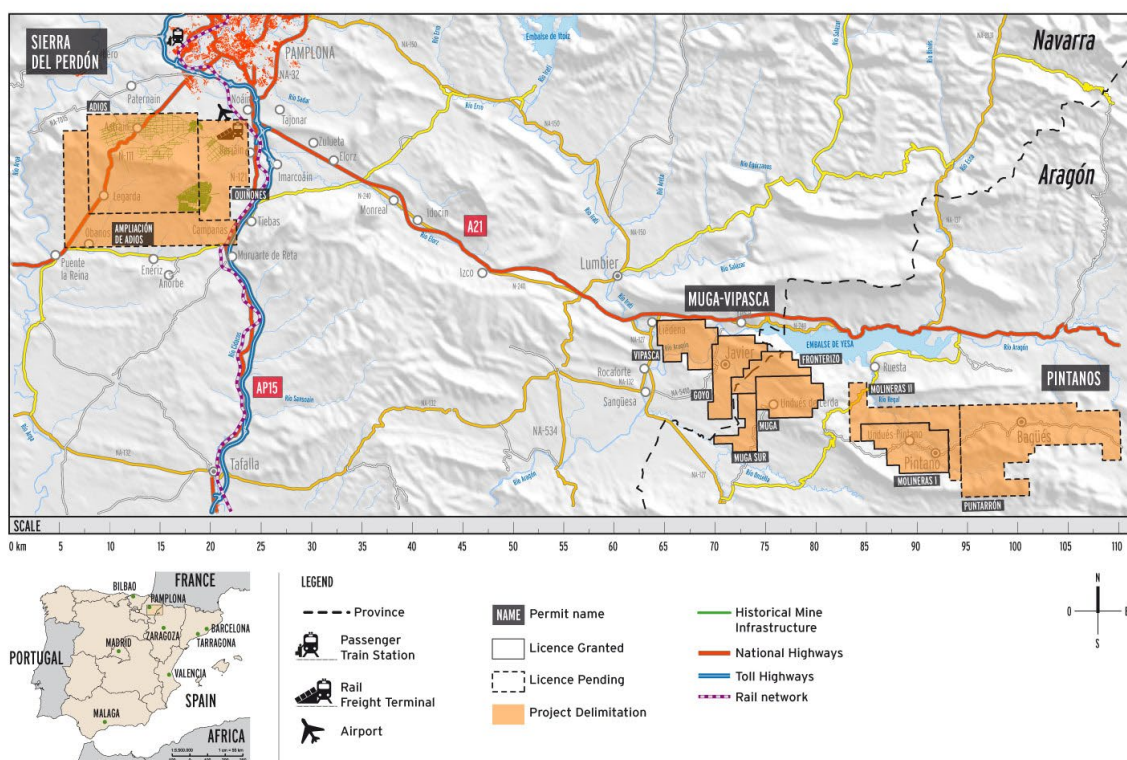
About Highfield Resources

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 ramp 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.

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



Highfield Resources

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About EMR Capital Management Limited

EMR Capital is a specialist resources private equity manager with extensive operational experience and a proven track record in successful mining operations, development, investment and with deep linkages in the Asian and global markets.

About Tectonic Investment Management

Tectonic Investment Management (Tectonic) is a boutique investment manager based in Kingscliff, Australia. Tectonic is 100% independent and owned by the investment team.

Tectonic focuses on investing into fast-growing, high quality businesses that will be future market leaders.

Tectonic has been a long-term supporter of Highfield over the years first entering the stock following the receipt of the Environmental approval in 2019.