

Fully Permitted Potash Mine in Europe: Ready for Construction

AGM Presentation
May 2023

ASX: HFR



COMPETENT PERSONS STATEMENT FOR MUGA ORE RESERVES, MUGA MINERAL RESOURCES and EXPLORATION TARGET

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.

FORWARD LOOKING STATEMENTS

This presentation includes certain 'forward looking statements'. All statements, other than statements of historical fact, are forward looking statements that involve various risks and uncertainties. There can be no assurances that such statements will prove accurate, and actual results and future events could differ materially from those anticipated in such statements.

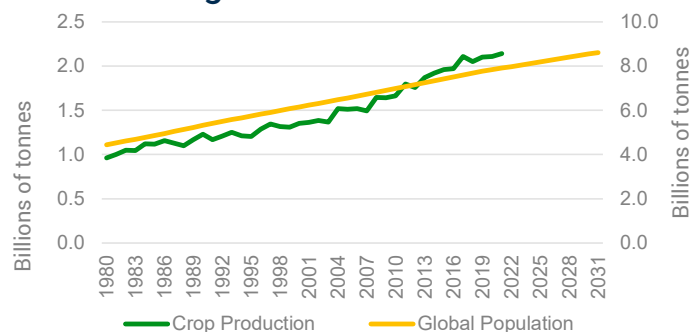
Such information contained herein represents management's best judgment as of the date hereof based on information currently available. The company does not assume any obligation to update any forward looking statement.

Cautionary Statement

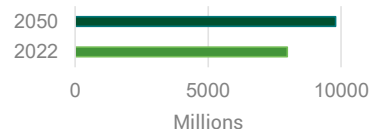
The production target set out in this update is derived from Proved and Probable Ore Reserves and Measured, Indicated and Inferred Mineral Resources from the Muga-Vipasca tenement as well as the Exploration Target at the Vipasca and Muga Sur tenement. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised. The potential quantity and grade of an Exploration Target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realised. The technical parameters underpinning the Mineral Resource in the market announcement dated 30 March 2021 and the Exploration Target in the market announcement dated 23 November 2021 continue to apply and have not materially changed.

Strong market fundamentals in Potash (MOP)

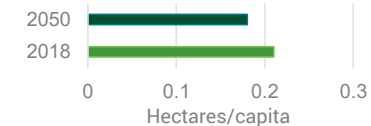
Strong market fundamentals



+23%



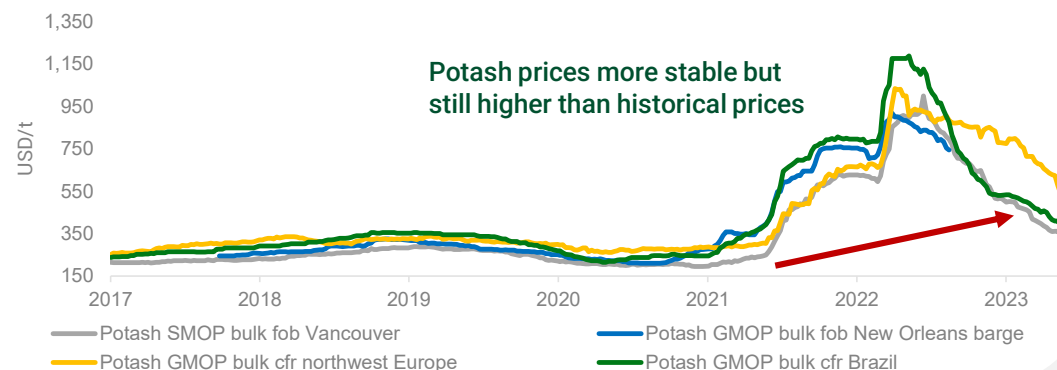
-14%



Upward price forecasts



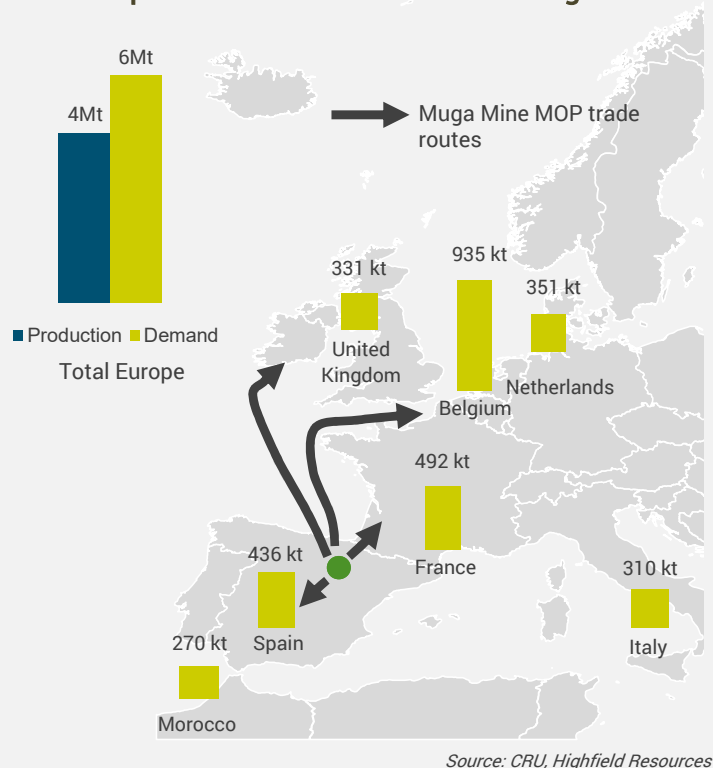
Soybean prices are the highest in 5 years



Potash prices more stable but still higher than historical prices

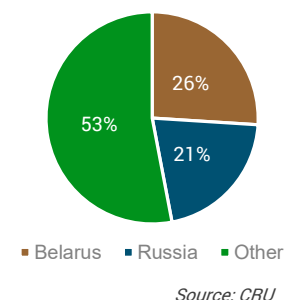
Muga is strategically important for Europe

European markets accessible to Muga mine



- 47% of European imports were from Russia and Belarus (4 year average)
- Russia and Belarus accounted for 38% of worldwide production in 2021, or about 27 Mt of potash:
 - ✓ Belarus exports falling sharply due to EU and US sanctions, and Lithuania's MOP transit blocking
 - ✓ Russia's economy is also facing sanctions due to the war in Ukraine
- Consumers in Europe (and globally) facing growing difficulties in sourcing MOP.
- Disruptions are rewriting the global MOP flows and placing the focus on local supply sources like Muga.

European Imports



- Potash production is declining
 - SQM producing only for NOP since 2017
 - Mosaic's Colonsay curtailed production (since 2022)
 - Boulby potash mine in the UK shut (Capacity: 500ktpa)
 - Sigmundshall mine in Germany shut (Capacity: 600ktpa)
 - Wintershall mine restricted production due to low river levels in Germany
 - ICL's Vilafruns shut in 2020 (Capacity: 500ktpa)
 - European mines are old
- Muga is the next European potash mine

INTRODUCTION AND PROGRESS



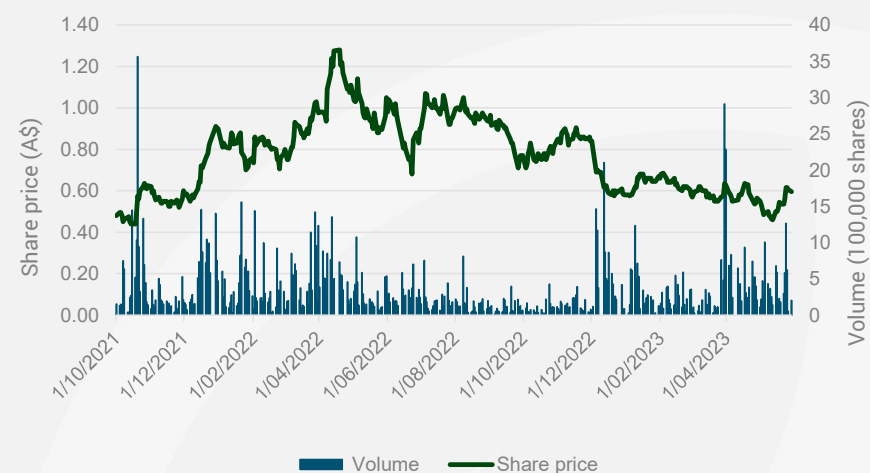
Corporate Snapshot



Capital Structure	
Share Price (29 May 2023)	\$0.595
Shares on Issue	387 million
Options & Performance Rights	-
Market Capitalisation	\$230 million
Cash (31 March 2023)	\$9.0 million
Drawn Debt	-
Enterprise Value	\$221 million

**Note: Debt of €300 million approved by leading European banks.*

Major Shareholders	%
EMR Capital	27%
WWB Investments	9%
Top 20 Total	58%



	Recommendation	Price target
Foster Stockbroking	BUY	A\$1.83
Canaccord Genuity	SPECULATIVE BUY	A\$1.66

Experienced Management Team



Ignacio Salazar
Managing Director and CEO



Javier Aguado
CFO



Javier Olloqui
Head of Human Resources,
Foundation & IT



Susana Bieberach
Head of Public Affairs



Olivier Vadillo
Head of Marketing & Investor
Relations



Carles Aleman
Head of Plant
Construction & HSE



Leonardo Torres-Quevedo
Head of Civil Works



Jorge Feito
Head of Mining,
Construction and Operation



Jorge Velasco
Head of Project Control

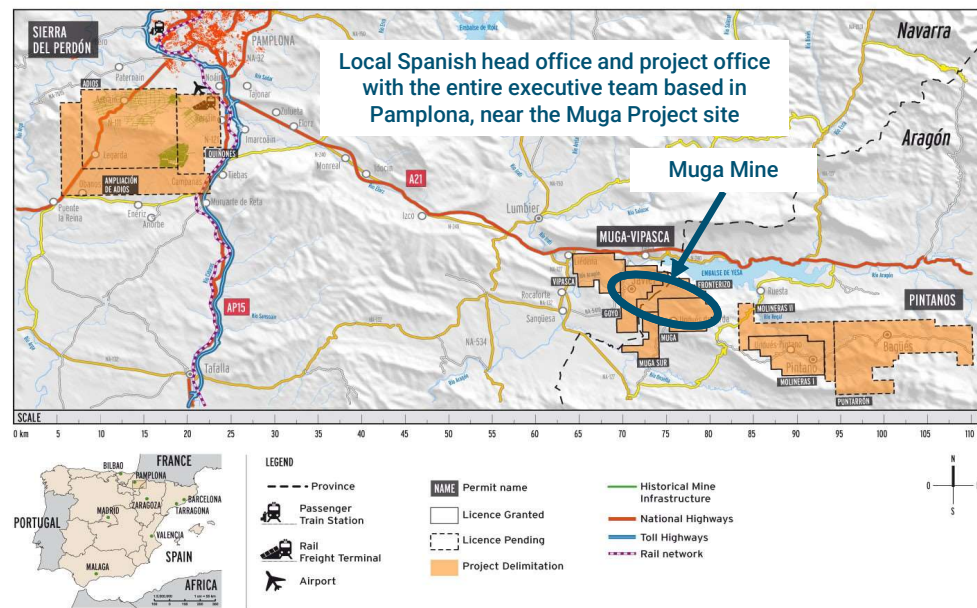
HFR and the Muga Project

A potash developer listed on the ASX (HFR) with projects in Northern Spain

Muga is a two-phase project which will produce a total of 1 Mtpa of muriate of potash

Conventional Underground Room and Pillar mining.
Declines accessing shallow mineralisation

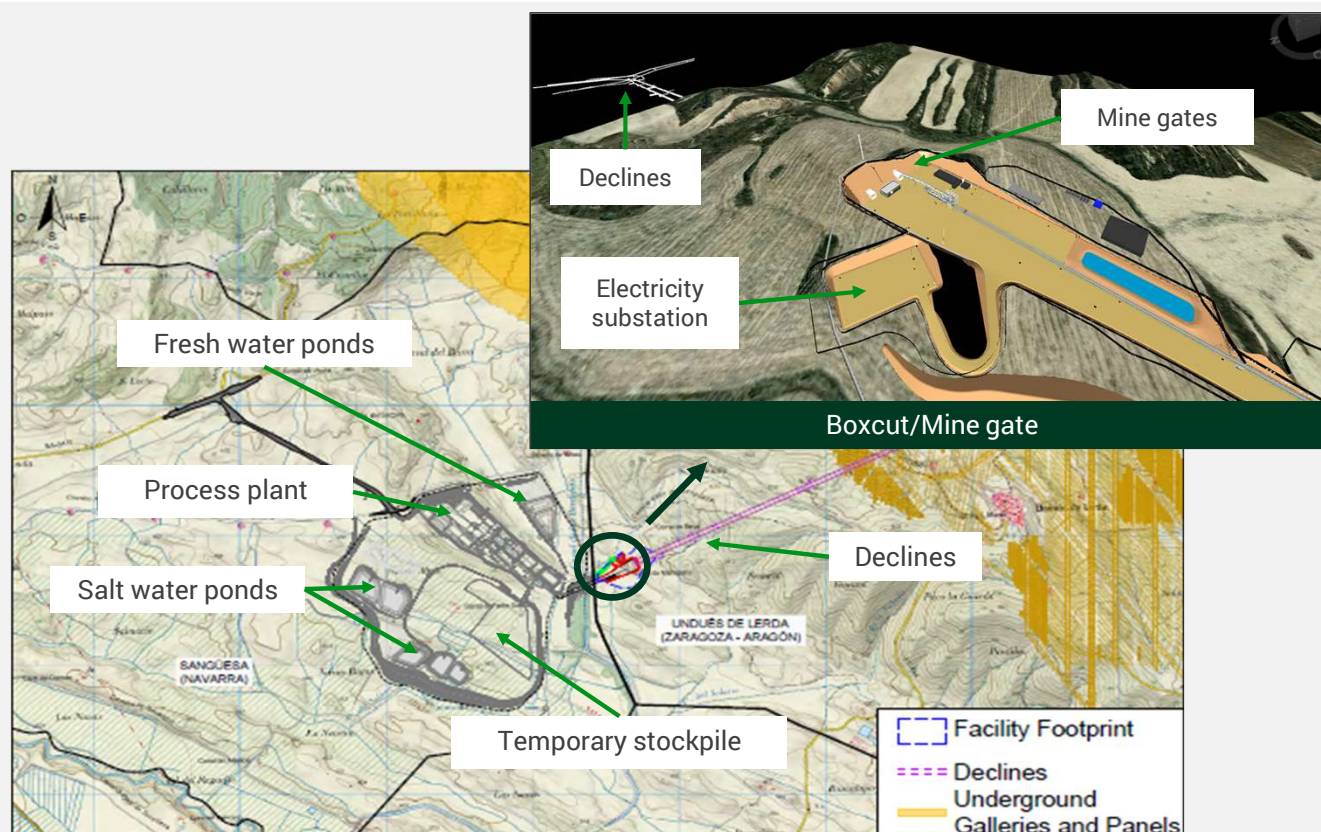
Conventional Flotation and Crystallisation processing



Puerto de Bilbao 220 Km
Puerto de Pasajes 135 Km

Construction started at the Muga Mine in 2022

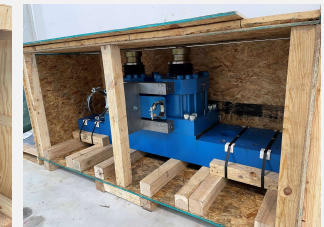
- June 2022: Townhall of Undués de Lerda in Aragón issued the licence for the construction of the mine gate and declines
- July-Dec 2022: Initial construction work at Muga started around the mine gate
- March 2023: the Townhall of Sangüesa issued the licence for the construction of the processing plant
- This allows the company to begin full scale construction expected in H2, 2023.



Construction milestones achieved to date



- Preliminary works around the mine gate finalised in 2022
- All major supply contracts for the processing plant equipment signed

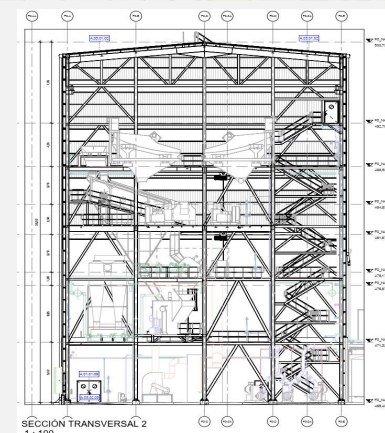
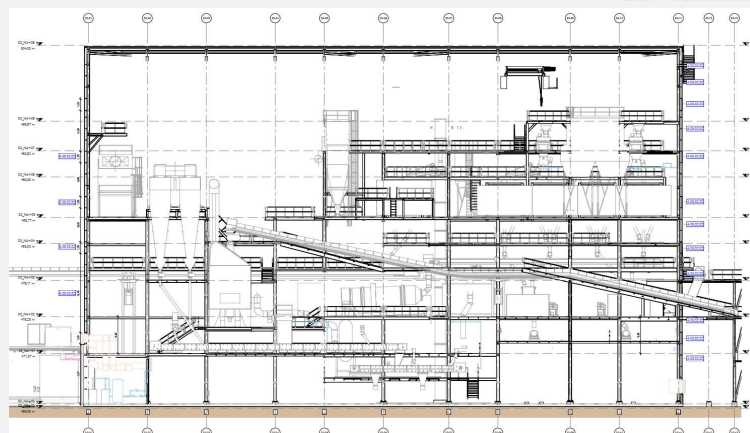
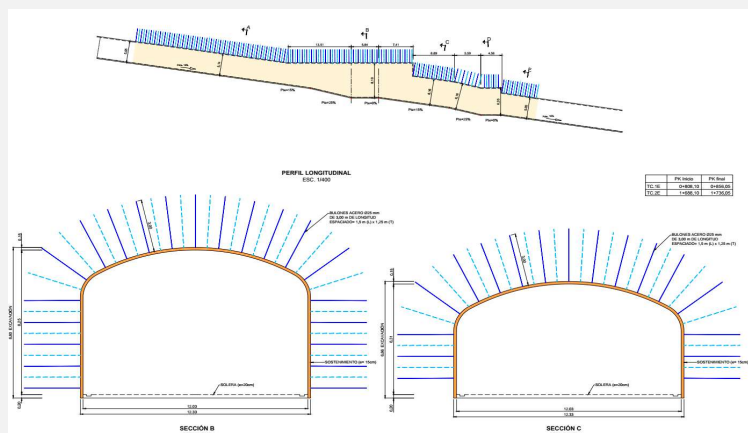


- Compactors and granulators manufactured and received
- The remaining equipment to be manufactured during construction

Main facilities construction

3 Construction workstreams:

- **Process Plant.** Includes RoM storage, flotation plant, crystallization, drying and compacting plant, product storage and truck loading.
- **Urbanization.** Access road to the plant, internal roads, general urbanization, water, gas and electrical supply, auxiliary buildings.
- **Declines and mine Infrastructures.** Includes ramps to access to the mineralization layer, mine infrastructures at the end of the ramps and the surface infrastructures (ponds and tailing).



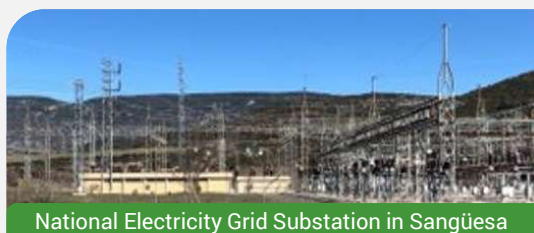
Progress Report



WHY HIGHFIELD RESOURCES?



Location, Shallow Mineralization, and Tier-One Infrastructure in Place



National Electricity Grid Substation in Sangüesa

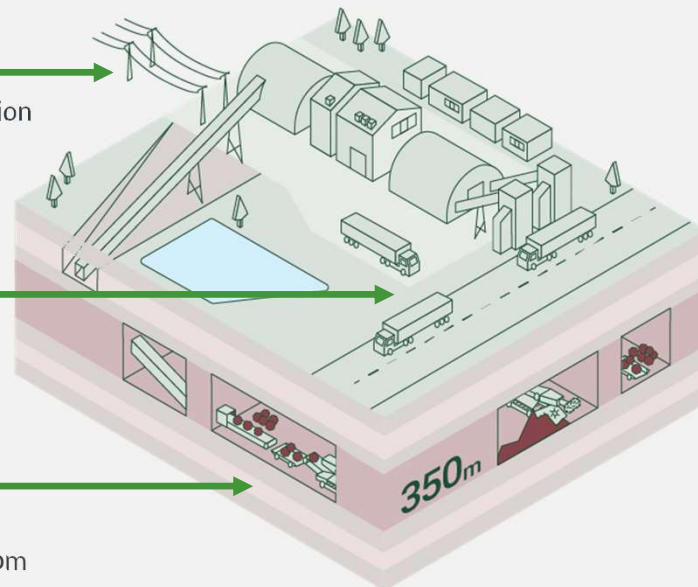


A-21 between Sangüesa and Pamplona



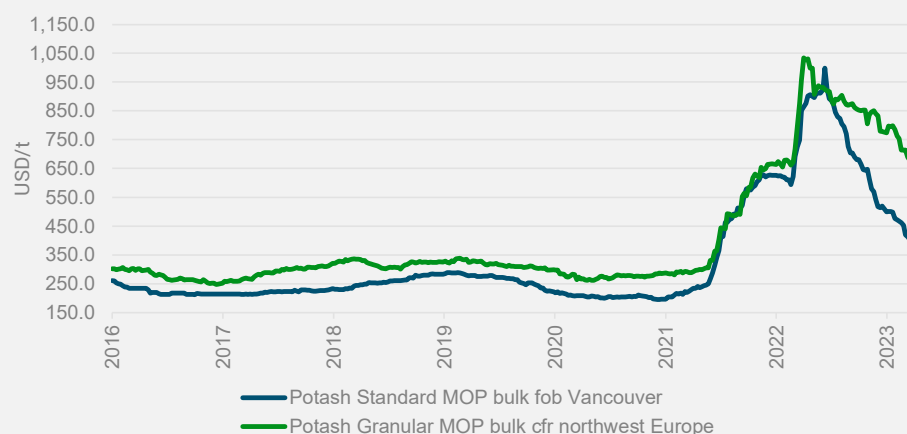
Port of Bilbao (~220km), Spain's largest port

- ✓ Higher netback with local market within trucking distance
- ✓ National Electricity Grid Substation is in close proximity to mine site
- ✓ First class infrastructure and access to new road systems
- ✓ Decline access to shallow mineralization; underground Room and Pillar mining. No aquifers



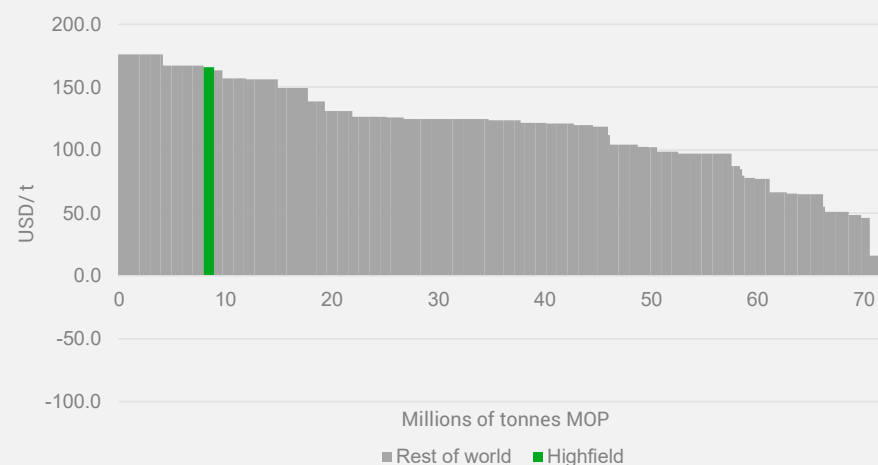
Top Quartile Margins in the Industry

European prices continue to trade at a premium to other markets



Mine location provides exposure to significantly lower potash delivery rates to European market, meaning higher netbacks at mine gate

Margin curve forecast for 2026 (real US\$)



Low costs and higher netbacks at mine gate position the mine as potentially one of the highest margin potash mines globally

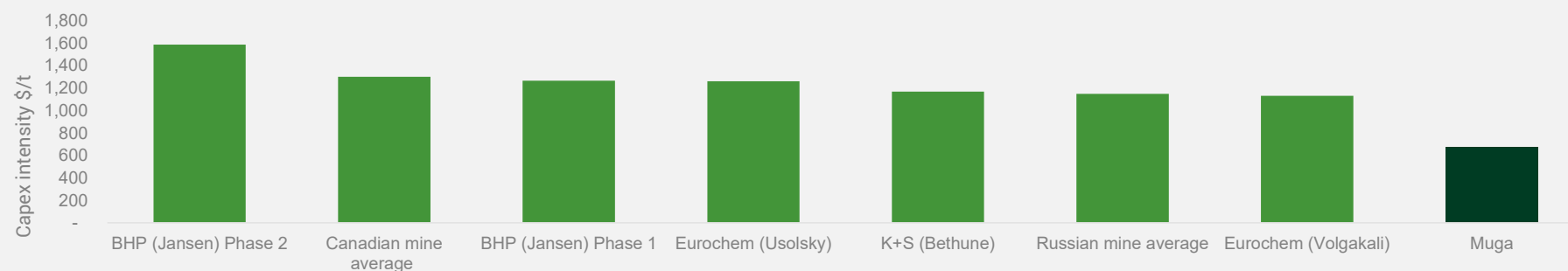
Source: Argus Media, CRU, Highfield Resources., ASX Release 3 November 2022

The Company confirms that all material assumptions underpinning these figures, in-line with the initial public report released on 3 November 2022 (refer ASX release "Muga Project Updated Feasibility Study") continue to apply and have not materially changed.

Low Capex Intensity and Strong Project Economics

Phase 1 capex of €436 million + Phase 2 capex of €226 million

MUGA: HALF THE CAPEX INTENSITY OF OTHER GLOBAL DEVELOPMENT PROJECTS (US\$ per tonne of potash)



Compelling financials, with an NPV₈ of €1.82 billion, IRR 21% and EBITDA of €410 million per annum at full production

The Company confirms that all material assumptions underpinning these figures, in-line with the initial public report released on 3 November 2022 (refer ASX release "Muga Project Updated Feasibility Study") continue to apply and have not materially changed.

Strong Economics and Financing Strategy



NPV8 of €1.82 Billion, 21% IRR

At full production, EBITDA of
around €400 Million pa



More advanced engineering
reconfirming a 30-year mine life¹



Updated capex numbers with
higher degree of accuracy:
phase 1 €436 million
phase 2 of €226 million



Credit approval from Macquarie
for up to €25m Equipment
Operating Lease Financing
Facility



Strong support from key
shareholders
with EMR and Tectonic
investing A\$25m



Credit for €320 million Senior
Secured Project Financing
facility signed

1. The production target set out in this update is derived from Proved and Probable Ore Reserves, additional Measured, Indicated and Inferred Mineral Resources from the Muga-Vipasca tenement as well as the Exploration Target at the Vipasca and Muga Sur tenements. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised. The potential quantity and grade of an Exploration Target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realised. The technical parameters underpinning the Mineral Resource in the market announcement dated 30 March 2021 and the Exploration Target in the market announcement dated 23 November 2021 continue to apply and have not materially changed.

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Strong Support from Existing Shareholders

- Key **strategic investment** from funds managed by EMR and Tectonic
 - EMR and Tectonic demonstrate their continued long-term support in the Company
 - The investment will be in the form of convertible notes, resulting in a **cash injection of approximately A\$25 million**
-
- The conversion of Notes into fully paid ordinary shares can happen at any time
 - However, any **outstanding convertible notes shall mandatorily convert into shares** at the time of first drawdown of the senior debt facility
-
- 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.

Industry Leading ESG Credentials



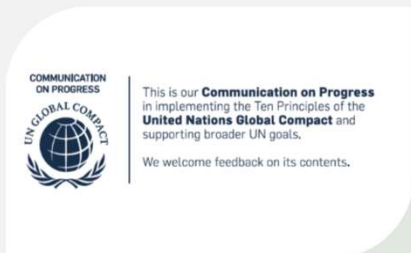
Environmental Factors

- **Progressively rehabilitate mine: Backfilling and salt sales**
- Muga will be the only mine not to leave residue on the surface after production



Social Factors

- **Social Baseline Study prepared by Government of Navarra**













Governance Factors

- **First junior mining company admitted as a signatory to the UN Global Compact initiative**
- **Adherence to rigorous ASX and EU disclosure and reporting obligations**

An Investment Opportunity in the Next Major European Potash Mine

Muga Potash Mine

Highfield Resources

Strong market fundamentals Global potash prices still strong			Strong financial position and financial markets support
Location is a major strategic advantage Shallow mineralization Infrastructure in place			Experienced Management and Board
Low capex intensity per tonne			Strong local support
Forecast to be one of the highest margin potash mines globally			Top environmental credentials
Fully permitted project in Spain			Upside growth opportunities

QUESTIONS





ASX:HFR

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FURTHER INFORMATION

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