



ASX: HFR

27 July 2023

HIGHFIELD RESOURCES LIMITED 30 JUNE 2023 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Highfield Resources Limited (“Highfield” or the “Company”) secured a strategic A\$25 million investment from funds managed by EMR Capital Management Limited (“EMR Capital”) and Tectonic Investment Management and related parties (“Tectonic”).
- Credit approvals received from Macquarie Group (“Macquarie”) for an equipment operating lease facility with a peak exposure of up to €25 million.
- 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 mine.
- Highfield’s construction team strengthened with the appointment of Carles Aleman, former President of ICL Iberia and Managing Director of Iberpotash, as Head of Plant Construction & HSE.
- Successfully secured access to all land necessary to build the Muga Potash Mine.
- Cash at bank as at 30 June 2023 was: A\$21.8 million.

Highfield Resources Managing Director and CEO, Mr Salazar, said:

“In this quarter, HFR made significant steps towards moving Muga into full scale construction. On the financing side this included equipment lease financing with Macquarie Bank, the additional funding from EMR and Tectonic, as well as the syndication of HSBC and Caja Rural. Other key steps included finalising the process which secures access to all the land necessary to build the Muga mine and strengthening the construction team with the experienced senior new hire, Carles Aleman.

After all the efforts to date, and in line with our plans which see us now being fully permitted, shovel-ready and with a strong cash position, the Company is finalising discussions with strategic investors and getting the team and contractors fully prepared to make Muga a reality.”



ACTIVITIES IN THE MUGA PROJECT DURING THE QUARTER

Muga Project Update

Following on from the previous quarter's important milestone, where we received all required permits to begin the full-scale construction of Muga, this quarter the Company has concluded the process to secure access to all the land necessary to build the Muga Mine. The Company had previously either purchased land or obtained commitments to buy it from the landowners. The remaining areas, where no private agreement had been previously reached, were subject to the normal legal expropriation process in Navarra for projects of public interest.

In late June 2023 the Company was officially notified that it had fulfilled all the requirements under the Navarran Compulsory Expropriation Law for immediate access and use of the lands and after making the requisite deposit payments to landowners of A\$1.9 million (€1.1 million) the Company commenced accessing the lands shortly after quarter end.

Muga Project Financing

The Company secured a key strategic investment of approximately A\$25 million from EMR Capital and Tectonic under a convertible note deed, dated 22 May 2023, between the Company and the Lenders (refer ASX 23 May 2023, "Key Strategic Investment of A\$25m Secured"). With this investment, EMR Capital and Tectonic demonstrated their continued commitment to Highfield, particularly in light of the receipt of the final construction licence for the Project.

This investment will assist in funding essential costs associated with advancing the Project and allow the Company to progress discussions with strategic and financial investors to fully finance the Project.

In May 2023, (refer ASX 12 May 2023, "Credit approval for up to €25 million Equipment Operating Lease Financing") the Company announced that it had received credit approval from Macquarie for an equipment operating lease facility with a total value of €27 million, with a peak exposure not expected to exceed €25 million.

The Company announced in April 2023 (refer ASX 17 April 2023, "Additional lenders added to its Senior Secured Project Financing") that HSBC Continental Europe and Caja Rural de Navarra joined the €320.6 million project financing package for the development of the Project in what is deemed to be a major endorsement to the Muga financing stack.

Muga Project Corporate

After receiving the final key licence for the Project, the Company is now strengthening its team for the move into construction. Experienced senior Spanish potash executive, Mr Carles Aleman, joined the Company as Head of Plant Construction & HSE on 15 May 2023.

Mr Aleman spent the last eight years working at ICL in Spain where most recently he was the President of ICL Iberia and Managing Director of Iberpotash. His extensive experience, specifically in potash mining in Spain where he led the transformation and modernization of ICL in Spain, will be invaluable for Highfield. During his long career, Mr Aleman's responsibilities have included oversight of several large construction and development projects.



Exploration

There were no significant mining exploration activities during the quarter. The current priority for the Company is the development of Muga.

Cash Position

As at 30 June 2023 the Company's cash balance was A\$21.8 million. Cash outlays during the quarter of A\$11.7 million were mainly driven by the payments of the second outstanding half of the financing fees to the Mandated Lead Arrangers (MLAs) (A\$6.0m) as well as the deposits to secure access to the lands (A\$1.9m) and the final payment stemming from the mine gate construction (A\$0.5m). These payments will reduce the total funding needs of the Company going forward. Other cash outgoings included payments to settle invoices for legal and financial services in connection with the execution of the equipment operating lease (A\$0.6m), and general admin costs (A\$2.7 million) which also included the Group's D&O insurance programme premium.

The Company continues to take a prudent approach to cash preservation while advancing the Project. Highfield 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\$251,000, relate to fees and salaries paid to executive and non-executive Directors during the quarter.

Outlook and Strategy - Plans for September 2023 Quarter

Preparation for the Construction phase:

- Sign the declines construction agreement and finalise the construction agreement with the Company's construction partner, Acciona.
- Continue to 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-

QUARTERLY ACTIVITIES REPORT



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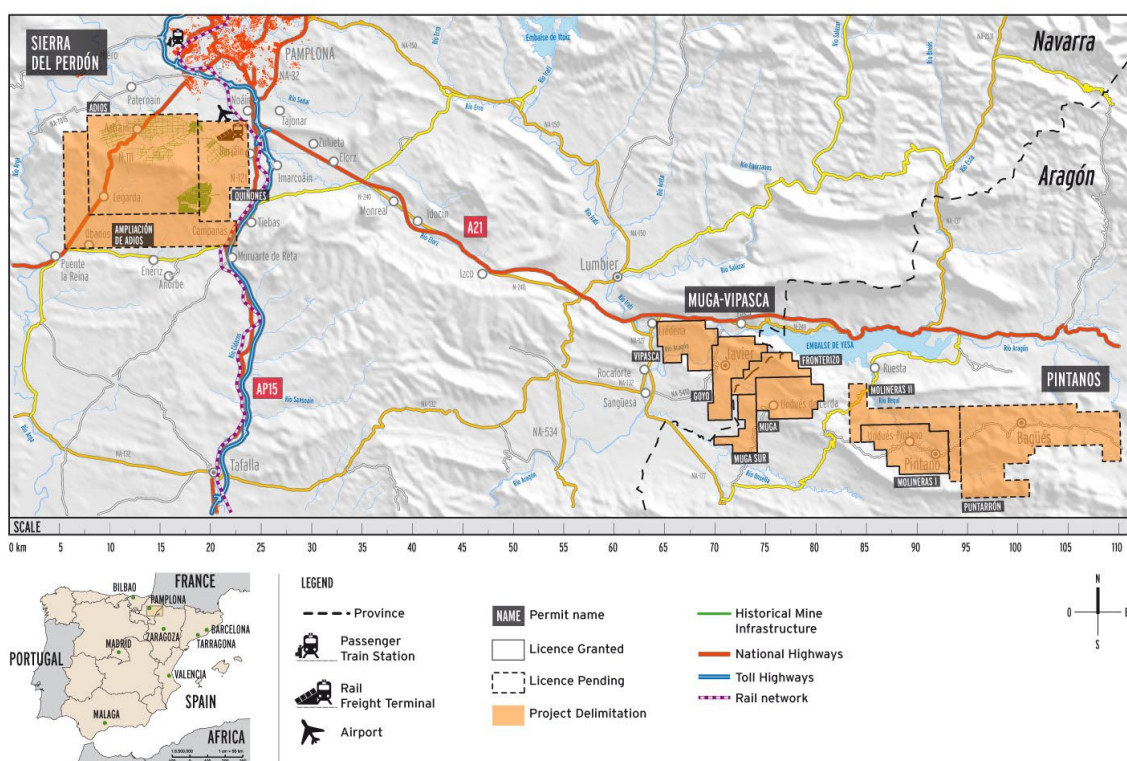
ABOUT HIGHFIELD RESOURCES

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 (granted July 2021), the decline construction licence in Aragón (June 2022) and the process plant construction licence in Navarra (March 2023) as well as securing access to all lands necessary for mine construction in June 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 30 JUNE 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.



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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(2)	(3)
(b) development		
(c) production		
(d) staff costs	(575)	(1,306)
(e) administration and corporate costs	(7,821)	(15,350)
1.3 Dividends received (see note 3)		
1.4 Interest received	22	42
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)	200	548
1.9 Net cash from / (used in) operating activities	(8,176)	(16,069)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(29)	(903)
(d) exploration & evaluation (if capitalised)	(3,374)	(5,062)
(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 (6 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	(3,403)	(5,965)
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	24,616	24,616
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	24,616	24,616
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,907	19,446
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,176)	(16,069)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,403)	(5,965)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	24,616	24,616

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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(111)	(195)
4.6	Cash and cash equivalents at end of period	21,833	21,833

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	21,833	8,907
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)	21,833	8,907

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

251

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 executive and non-executive 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.</i>		
<i>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)	24,616
7.4	Total financing facilities	24,616

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.

A convertible note of approximately A\$25 million was secured during the quarter with a maturity date of 24 months from the convertible notes' completion date (refer ASX 23 May 2023, "Key Strategic Investment of A\$25m Secured"). Funds managed by EMR Capital Management Ltd. and Tectonic Investment Management and related parties are the noteholders.

The debt will accrue interests (at a 14% per annum) that will be paid in kind via addition to the convertible notes amount and will mandatorily be converted into fully paid ordinary shares in the Company before the first drawdown of the €320.60 million senior loan facility secured with a group of European banks to fund the Muga Project.

This note is secured by a share pledge over all the shares in and shareholder loans to, the Spanish subsidiary, Geocalci, S.L.U. which owns and is developing the Muga Project.

8. Estimated cash available for future operating activities	\$A'000	
8.1	Net cash from / (used in) operating activities (Item 1.9)	(8,176)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(3,374)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(11,550)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	21,833
8.5	Unused finance facilities available at quarter end (Item 7.5)	
8.6	Total available funding (Item 8.4 + Item 8.5)	21,833
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.89

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- 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: The Company does not envisage needing to maintain the current level of operating cash outlays for the remaining quarters of 2023. The high level of cash outflows during the second quarter was primarily driven by the payment of the remaining 50% of the banks' financing fees due 90 days upon execution of the Facilities Agreement. In addition, the Company continues to stringently manage its cash so that it is focussed on essential expenditure to advance the Project.

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

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 is progressing negotiations with different potential sources of capital and equity financing and expects to successfully engage with any financiers in the coming months.

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: The Company expects to be able to continue operating for the foreseeable future and set off any current and upcoming liability while seamlessly continuing in business.

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: 27 July 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.