

March 2025 Quarterly Activities Report

HIGHLIGHTS

- Substantial work has been undertaken to progress the strategic transaction with Yankuang Energy Group Co ('Yankuang') and regulatory approvals are advancing:
 - Yankuang and Beijing Energy International Co., Ltd have both received a statement of no objection from Australia's Foreign Investment Review Board. This is in relation to Yankuang Energy's proposed subscription for up to US\$376 million (*refer ASX 14 January 2025, "Yankuang Energy receives FIRB Approval"*) and Beijing Energy's proposed subscription for US\$50 million (*refer ASX 6 March 2025, "Beijing Energy Receives FIRB Approval"*) worth of ordinary shares in Highfield at A\$0.50 per ordinary share;
 - Highfield has received regulatory authorisation from Canada under the Investment Canada Act for the strategic transaction (*refer ASX 24 February 2025, "Investment Canada Act - Condition Satisfied"*); and
 - Yankuang has extended the sunset date for satisfaction of the conditions precedent under the implementation agreement entered into with Yankuang (*refer to the ASX announcement dated 24 September 2024*) from 31 March 2025 to 30 June 2025.
- All resolutions with regards to the issue of shares to Yankuang, Beijing Energy and appointment of their nominated directors to the board of Highfield Resources Limited ('Highfield' or 'Company') were passed at Highfield Extraordinary General Meeting of shareholders held on 20 March 2025.
- The Company submitted a formal request to its lenders under its Senior Secured Project Finance Facility ('Facility') to amend certain terms and seek waivers in respect of certain clauses of the Facilities Agreement (*refer to the ASX announcement dated 28 January 2025, "Update on Facilities Agreement and Project Financing"*).
 - As part of this process, the Company confirms that the Facility will be amended so that Societe Generale, BNP Paribas, and Natixis will exit the Facility. Highfield acknowledges and appreciates their past support in advancing the Muga Project.
 - The Company is working with its financial advisor, DBS Securities, and the continuing lenders (ING, HSBC and Caja Rural) under the Facility, and with potential lenders to replace exiting lenders under the Facility.
- The Company continues to maintain a disciplined and prudent approach in managing its cash flow. All non-essential expenditure has been postponed or cancelled. As part of this process management proposed and staff agreed to implement a furlough scheme from 1 March 2025. This arrangement is equivalent to 20% to 50% of total salaries.

- **UK based Non-Executive Director, Mr Roger Davey, resigned from the Board of the Company with effect from 21 March 2025.**
- **The Company has A\$8.3 million cash at bank as at 31 March 2025.**

European potash developer, Highfield Resources Limited (ASX:HFR) (**Highfield**, or the **Company**) is pleased to provide the market with an update on activities developing the world class Muga Potash mine (**Muga**), located in northern Spain for the quarter ended 31 March 2025.

PROJECT UPDATE

Strategic Financing Update

Highfield has previously announced that Yankuang Energy Group Co., Ltd (**Yankuang Energy**) and Beijing Energy International Co., Ltd (**Beijing Energy**) received a statement of no objection from Australia's Foreign Investment Review Board (**FIRB**). This is in relation to Yankuang Energy's proposed subscription for up to US\$376 million worth and Beijing Energy proposed subscription for US\$50 million of ordinary shares in Highfield at A\$0.50 per ordinary share (**FIRB Approval**).

Yankuang Energy's and Beijing Energy subscription for ordinary shares in Highfield forms an integral part of the 'Cornerstone Placement' and 'Southey Vend-In' (see ASX release dated 24 September 2024) through which Highfield seeks to:

- raise a total of US\$220 million in equity capital from Yankuang Energy and other strategic investors; and
- acquire the Southey potash project in Saskatchewan, Canada from Yankuang Energy by way of the direct or indirect acquisition of 100% of the shares in Yancoal Canada Resources (a subsidiary of Yankuang Energy) (**Yancoal Canada**) for consideration valued at US\$286 million (subject to certain completion adjustments),

(collectively, the **Transaction**), and the receipt of FIRB Approval satisfies a key condition precedent under the Transaction documentation (refer ASX release dated 24 September 2024).

Furthermore, Highfield has satisfied the condition precedent in the implementation agreement it has entered into with Yankuang Energy (**Agreement**) relating to the Investment Canada Act to acquire Yancoal Canada. In connection with the Agreement and the acquisition by Highfield of all of the issued capital of Yankuang Energy's subsidiary Yancoal Canada announced on September 2024, Highfield is pleased to announce that no notice has been received under subsection 25.2(1) or subsection 25.3(2) of the Investment Canada Act within the prescribed period for such notice which has already expired. With this absence of notice, the Company satisfies the condition to completion set forth in the Agreement regarding approval or no notice of objection being received under the Investment Canada Act for Highfield to acquire Yancoal Canada.

Yankuang Energy has extended the sunset date by which the conditions precedent under the Agreement must be satisfied from 31 March 2025 to 30 June 2025. This extension will provide Highfield and Yankuang Energy with further time to satisfy the conditions which are required to be satisfied for completion to occur under the Agreement (refer to the ASX announcement dated 19 March 2025, "Extension of sunset date under Implementation Agreement").

Senior Loan and Lease Facility

The Company submitted a formal request to its lenders under its Senior Secured Project Finance Facility (the **Facilities Agreement** or the **Facility**) to amend certain terms and seek waivers in respect of certain clauses of the Facilities Agreement, including to waive the change of control provisions in the Facility in connection with the transactions contemplated by the Agreement (and in satisfaction of the condition precedent in the Agreement relating to the Facility (**Facility Condition**)) (*refer to the ASX announcement dated 28 January 2025, "Update on Facilities Agreement and Project Financing"*). As part of this process, the Company confirmed that the Facility will be amended so that Societe Generale, BNP Paribas, and Natixis exit the Facility. Highfield acknowledges and appreciates their past support in advancing the Muga Project.

The Company is working with its financial advisor, DBS Securities, its continuing lenders (ING, HSBC and Caja Rural) under the Facility, and with potential lenders to replace exiting lenders under the Facility. The Company is also seeking input from Yankuang Energy to ensure that the amended Facility and updated syndicate of lenders aligns with the evolving needs of the Muga Project and the Company's new shareholding following the completion of the transaction contemplated by the Agreement and that the Facility Condition remains capable of satisfaction.

Highfield is also renegotiating the equipment operating lease facility its wholly-owned subsidiary Geoacali S.L.U. has entered with Macquarie Specialised Asset Services Ltd. (**Macquarie**). The total facility originally amounted to a total of €25 million which recently expired. This renegotiation involves an interim lease contract for the acquisition of four shuttle cars from Komatsu for the value of US\$4.7 million, which was signed with Macquarie. Additionally, the Company will look to extend the tenor of the interim lease and increase the total lease facility once the proceeds from the equity raise have been received.

The Company will review the new equipment lease facility to ensure it is aligned with the evolving needs of the Muga Project and the Company's new shareholding following the completion of the transaction.

Muga Mine Update

Completion under the Agreement is subject to relevant governmental regulatory clearances. As of today, the FIRB approvals for the interests in the Company that both Yankuang Energy and Beijing Energy will acquire have been received. The Company has also received no notice under applicable sections of Investment Canada Act (**ICA**) and thus the ICA clearance condition to acquire Yancoal Canada Resources Co., Ltd under the Agreement has been satisfied.

The regulatory review decision under the Spanish foreign direct investment laws is expected in due course.

Additionally, the Company is working closely at the highest levels with the Spanish government to resolve the Goyo permit administrative matter.

POTASH MARKET

Global potash prices have traded up slightly this quarter. With Granular MOP prices in Europe remaining within the €340/t to €350/t range. The supply demand fundamentals are unchanged from last quarter however tariffs have pushed prices higher across the sector.

EXPLORATION

There were no significant exploration works during the quarter. The current priority for the Company remains the development and construction of the Muga Potash mine.

CORPORATE

Cash as at 31 March 2025 was A\$8.3 million, this represented a A\$3.6 million decrease from the previous quarter. Cash received upon completion of the conditional component of the institutional placement initiated in September 2024 of (A\$7.9 million), was used to pay commitment fees to the Project Finance banks (A\$7.7 million) and G&A expenditure and development costs payments (A\$2.2 million and A\$1.8 million, respectively). Foreign exchange differences were positive during the quarter (A\$0.2k). A\$1.6 million of the available cash is kept in escrowed funds.

The Company continues to maintain a disciplined and prudent approach in managing its cash flow while progressing the Transaction to completion with operating expenditure down by 25% (-A\$0.8 million) with respect to the previous quarter. All non-essential expenditure has been postponed or cancelled. As part of this process management proposed and staff agreed to implement a furlough scheme from 1 March 2025. This arrangement is equivalent to 20% to 50% of total salaries.

Highfield is in the meantime evaluating various alternatives to provide working capital to support the Company's planned activities between this announcement and completion of the Proposed Transaction.

Extraordinary General Meeting

All resolutions considered by the Company's shareholders at the Extraordinary General Meeting of the Company held virtually on 20 March 2025 were passed. (*refer ASX 20 March 2025, "EGM - Results of Meeting"*). Shareholder approval was sought and obtained for the:

- 1) Approval of issue of ordinary shares to Yankuang Energy as contemplated by the Agreement;
- 2) Approval of issue of ordinary shares to other strategic investors as contemplated by the Agreement; and
- 3) Approval for the election of Yakuang Energy and Beijing Energy directors to the board of Highfield on completion of the transactions contemplated by the Agreement.

PAYMENTS TO RELATED PARTIES

As outlined in section 6 of the attached Appendix 5B, payments to related parties of the Company and its associates, totals A\$284k, and relate to salaries and fees paid to executive and non-executive directors during the quarter.

Q2 2025 ACTIVITIES

- Finalise the strategic financing process
- Company AGM end of May
- Finalise construction readiness plan

-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 planning on commencing full scale construction of its flagship high margin, low capex Muga Project in Spain having finalised the initial site preparatory work and having received all permits and key licences. Muga's Mining Concession was granted in 2021, the ramp construction licence in Aragón in 2022 and the process plant construction licence in Navarra in 2023.

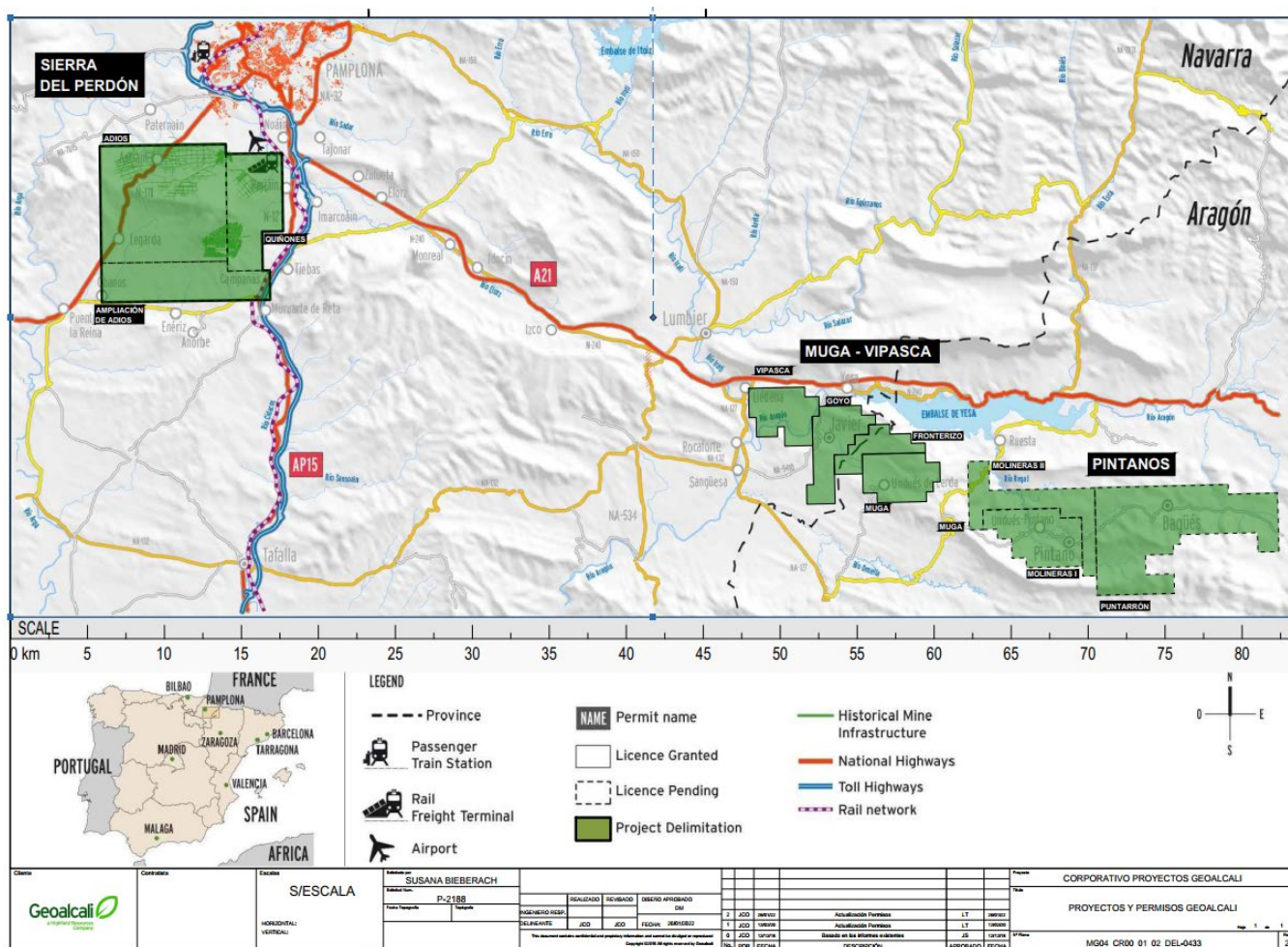
Muga is a unique project – with shallow mineralization and no aquifers above it there is no need to build a shaft. There is high quality and readily accessible infrastructure already in place in the region and importantly, the Muga Project is located in the heart of a European agricultural region which has a clear deficit in potash supply.

In mid-2024, the Company announced a transformative transaction to finance Muga and create a new globally diversified potash company with Yankuang Energy Group Co., Ltd and a number of strategic investors to raise US\$220 million of equity capital and acquire the Southey potash project in Saskatchewan, Canada. The transaction is subject to shareholder approval and country regulatory approvals.

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.

30 April 2025



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 2025

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)		
	(b) development		
	(c) production		
	(d) staff costs	(747)	(747)
	(e) administration and corporate costs	(1,865)	(1,865)
1.3	Dividends received (see note 3)		
1.4	Interest received	41	41
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)	377	377
1.9	Net cash from / (used in) operating activities	(2,194)	(2,194)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation (if capitalised)	(1,837)	(1,837)
	(e) investments		
	(f) other non-current assets		

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	(1,837)	(1,837)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,001	8,001
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	(126)	(126)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(7,689)	(7,689)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	186	186

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,960	11,960
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,194)	(2,194)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,837)	(1,837)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	186	186

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	177	177
4.6	Cash and cash equivalents at end of period	8,292	8,292

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	8,292	11,960
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)	8,292	11,960

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**

284

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 salaries paid to executive directors and fees paid to 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)	33,644	33,644
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.		
<p>Other financing facilities refer to the convertible note formalised in two tranches in May 2023 and December 2023 (refer ASX 23 May 2023, "Key Strategic Investment of A\$25m Secured" and ASX 22 December 2023 "Highfield secures US\$6 million to advance Muga potash mine toward construction", respectively) and subscribed by EMR Capital Management Ltd., Tectonic Investment Management and another institutional investor as the lenders.</p> <p>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 senior loan facility secured with a group of international banks to fund the Muga Project.</p> <p>The notes are secured by a share pledge over all the shares in and shareholder loans to, the Spanish subsidiary, Geoalcali, S.L.U. which owns and is developing the Muga Project.</p>			

8. Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,194)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,837)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(4,031)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	8,292
8.5	Unused finance facilities available at quarter end (Item 7.5)	
8.6	Total available funding (Item 8.4 + Item 8.5)	8,292
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.06
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?	
	Answer:	

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:

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: 30 April 2025

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.