

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2020

Overview

- Submission of the documentation required for the Mining Concession was completed after extensive engagement with the relevant mining authorities in Madrid, Aragon and Navarra
- Negotiations for ordering of long lead mining equipment continued
- Continued successful execution of the sales and marketing strategy, highlighted by the signing of a Non-binding Memorandum of Understanding (MOU) signed with Keytrade AG for 300,000 tonnes of MOP
- Assay results for drill hole V18-05 and AA-01 were received and are currently under review
- Highfield's global search for an experienced mining CEO, is nearing completion with an announcement expected to be made by late April
- Highfield Chairman, Richard Crookes, to continue as Acting CEO to ensure a smooth transition
- Geocalci, wholly owned Spanish subsidiary of Highfield Resources Ltd, became a signatory to the UN Global Compact initiative, the largest corporate sustainability movement in the world
- Highfield continues to closely monitor the implications of Covid-19, which to date has had minimal impact on operations
- Cash at bank as at 31 March 2020: A\$38.8m.

Highfield Resources Limited
ACN 153 918 257
ASX: HFR

Issued Capital
329.5 million shares
24.66 million options

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Muga Project

Overview

Spanish potash developer Highfield Resources (ASX: HFR) (“Highfield” or “the Company”) is pleased to provide the following quarterly activities update, for its activities and including those of its wholly owned Spanish subsidiary Geoalcali S.L.U. (“Geoalcali”), for the period ended 31 March 2020.

The Company’s flagship Muga Project (“Muga” or “the Project”) is targeting relatively shallow sylvinite beds, across approximately 60km² located in the Provinces of Navarra and Aragón. Once operational, the Muga Mine is planned to commence mining at a depth of approximately 350 metres from surface and is therefore ideal for a relatively low-cost conventional mine.

The Vipasca Permit Area (“Vipasca”) (see Figure 3) is located adjacent to Muga and covers approximately 27km². Some areas of the tenement are highly prospective for economic potash mineralisation, with a primary focus on the deeper, higher grade, P1 and P2 potash horizons.

Muga Project Approvals Process

Following extensive engagement with the relevant mining authorities in Madrid, Aragon and Navarra, the highly-important Mining Concession documentation was submitted on 13 March 2020 (refer ASX release 16 March 2020, “Muga Project – Mining Concession Documentation Submitted”).

The Company worked closely with key stakeholders to ensure all aspects of the submission were prepared to the satisfaction of the authorities and to ensure the documentation submitted is both robust and comprehensive with the aim of assisting a smoother approval process.

Following the submission of the Mining Concession documentation, the Spanish Government initiated a country wide confinement programme due to the impact of Covid-19, with both the Company’s employees and government officials working from home. During this period the Company is continuing regular engagement with all key authorities working on Highfield’s Mining Concession.

The Company has previously estimated that the Mining Concession could be awarded approximately six months after the submission of the documentation submitted on 13 March 2020. Although currently Highfield does not anticipate any delay to the receipt of the Mining Concession, it is possible that the Covid-19 outbreak could affect the ultimate award date.

Muga Project and Vipasca Permit Exploration Update

The Muga Project Update (refer ASX release 15 October 2018, “Muga Project Update”) confirmed the strategic importance of Vipasca as a potential extension of the Muga Project. Since then the Company has been focusing on the more prospective areas in the east of the Vipasca permit.

A further drill hole, V18-05, between the Vipasca permit area and the Muga Project was completed in the fourth quarter of 2019 (see Figure 3). The assay results from the drill hole were received during the quarter and are currently being analysed. Initial visual inspection of the assay results indicates continuity of the evaporite sequence between the Muga Project and Vipasca Permit.

Muga Project and Vipasca Permit Technical Update

During the quarter, design development continued to advance in line with the project programme and engineering submissions were made by the principal equipment suppliers and engineering consultants. As a result, basic design of the process plant is well advanced and detailed design has commenced.

As part of this work, K-Utec AG Salt Technologies has completed the test work that will be used to detail the systems and components necessary for the dewatering and backfilling system and continues to progress the proposals for the backfilling storage and placement systems.

Muga Project and Vipasca Permit Sales and Marketing Update

Geoalcali continued the successful execution of the Company's sales and marketing strategy by signing a non-binding offtake MOU with Keytrade AG ("Keytrade") (refer ASX release 6 March 2020, "MOU signed for offtake from Muga Potash Mine").

Under the MOU, Highfield will provide up to 300,000 metric tonnes per annum of muriate of potash ("MOP" or "the Product") to Keytrade.

Keytrade is a large Swiss based agri-trader that was established in 1997. Keytrade has significant experience working with all types of suppliers, distributors, retailers and end-users across all fertiliser products and is active in more than 115 countries across the globe, with key offices in Zurich, Madrid, Tampa, São Paulo, New Delhi and Beijing amongst others.

The future potential partnership with Keytrade will provide Highfield with enhanced insights into the MOP market, especially invaluable during the first years of production.

Highfield continues to engage in ongoing offtake discussions with other wholesale customers, distributors and global traders for the full production capacity from the Muga Mine.

Muga Project Financing

Highfield remains confident of securing the necessary debt and equity financing for Muga, which will support a final investment decision and the commencement of construction at the Company's flagship project.

Corporate

With the Covid-19 situation changing daily, Highfield is monitoring closely the guidance from the World Health Organization and the Spanish Government. The Company's primary aim is the safety and wellbeing of all employees and stakeholders.

Highfield acted quickly and implemented a business continuity plan in mid-March, shortly before the Government of Spain declared a State of Emergency, as a result of which all staff members have successfully continued to work from home and conduct all meetings online. Highfield will continue to monitor the situation.

The Company's international search for a new CEO is nearing completion. The final shortlist comprised a diverse mix of highly experienced mining executives and an announcement is expected to be made in the near term.

At the end of the quarter Geoalcali was admitted as a signatory to the United Nations ("UN") Global Compact initiative which is the largest corporate sustainability movement in the world, bringing together more than 13,500 signatory entities from in over 165 countries. The initiative, based on Ten Principles of the UN, operates in Spain throughout its local network, the Global Compact Spanish Network "Pacto Mundial", which has the largest number of participants globally. Geoalcali commits to align its operations with the Ten Principles, and to adopt measures that support the UN's Sustainable Development Goals (SDG).

Pintanos Tenement Area

Highfield's 100% owned Pintanos tenement area, comprising the three permits of Molineras 1, Molineras 2 and Puntarrón (see Figure 1) abuts the Muga Project and covers an area of 65km². Depths from surface to mineralisation commence at around 500 metres. The Company is building on substantial historical potash exploration information that includes seven drill holes and ten seismic profiles completed in the late 1980s.

The Company has re-initiated the application process for the drilling permit at Molineras 2, following the conclusion of the public consultation period. The Company has responded to all comments received during the consultation period and is now awaiting award of the permit.

Sierra del Perdón Tenement Area

Highfield's 100% owned Sierra del Perdón tenement area ("SdP") comprising the three permits of Quiñones, Adiós and Ampliación de Adiós (see Figure 1 and Figure 2) is located south east of Pamplona and covers approximately 120km². SdP is a brownfield target which previously hosted two potash mines operating from the 1960s until the late 1990s, producing nearly 500,000 tonnes of potash per annum.

There is potential for potash exploitation in new, unmined areas in the SdP area.

The Company was advised in the fourth quarter of 2018 that the second three-year extension application for the Adiós and Quiñones permits had been rejected by the mining department of the Government of Navarra. The basis of the rejection of the Quiñones and Adiós extension application was that the Company had not performed sufficient drilling and geophysics exploration when compared with what it had committed to in the three year work plans submitted to the authorities. The Company has obtained legal advice and is continuing an appeal process with regards to this decision. The timing of the appeal process continues to remain uncertain, nonetheless, given the reasons for not being able to perform the work outlined were due to factors outside the Company's control, the Company remains confident of a positive resolution in due course. During ongoing discussions, the authorities have confirmed that they are continuing to consider the appeal, but no conclusion has yet been reached. Substantive expenditure on further exploration for and evaluation of mineral resources in the Adiós and Quiñones permits is planned subsequent to a positive outcome to the appeal. The Company has carefully considered the facts and circumstances pertaining to the rejection, its discussions with the authorities, and the legal advice received. It has concluded that the continued lack of a resolution to the appeal is not a reflection on the merits of the appeal, nor does it represent a significant change with an adverse effect on the entity. The Company has concluded that the Adiós and Quiñones permits are expected to be renewed, in the form of an extension, on the basis that it has strong arguments that will result in a positive outcome to the appeal lodged on 16 November 2018.

The drill hole AA-01 (see Figure 2) carried out during the fourth quarter of 2019 at Ampliación de Adiós Investigation Permit reached 422 meters. The drill hole intersected the typical sequence of the Sierra del Perdón area and crossed the sylvinite member. The assay results are currently under review and will be published when available.

Cash Position

The Company is prioritising the completion of detailed design for the Muga Project process plant. As part of this process it will make initial payments to equipment suppliers which are necessary to obtain engineering and drawings required for the detailed design work. It also expects to make an initial payment during the second quarter for the bolter miners, which have a long lead time, in order to ensure they are available for the ramp excavation at the appropriate time during the construction phase. The Company also continues to minimise overheads, while continuing to support the above mentioned engineering and detailed design work. As at 31 March 2020, the Company had A\$38.8 million in cash.

Plans for June Quarter 2020

Muga Project

- Continue to maintain an open dialogue with all relevant authorities who are working on the submitted Mining Concession documentation.
- Release of assay results for drill hole V18-05.
- Continue Project optimisation work and continue with detailed design.
- Continue discussions with potential potash and salt offtake partners as part of the Company's sales and marketing strategy.

Other

- Continue to monitor the Covid-19 situation and any initiatives undertaken by the Spanish Government.
- Continue the appeal process for the second three-year extension application for the Adiós and Quiñones permits at Sierra del Perdón.
- Release of assay results for drill hole AA-01.
- Continue drilling programme at Ampliación de Adiós and commence drill hole AA-02 (see Figure 2).
- Commence drilling of J14-09 at P.I. Muga, a tenement abutting the Muga Project area (see Figure 4).

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

For more information:

Highfield Resources Limited

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About Highfield Resources

Highfield Resources is an ASX listed potash company with three 100% owned tenement areas located in Spain.

Highfield's Muga-Vipasca, Pintanos, and Sierra del Perdón potash tenement areas are located in the Ebro potash producing basin in Northern Spain, covering an area of around 277km².

Following the granting of a positive environmental permit Highfield is now focusing on securing the Mining Concession and the construction permits necessary to take the Muga Project into the construction phase.

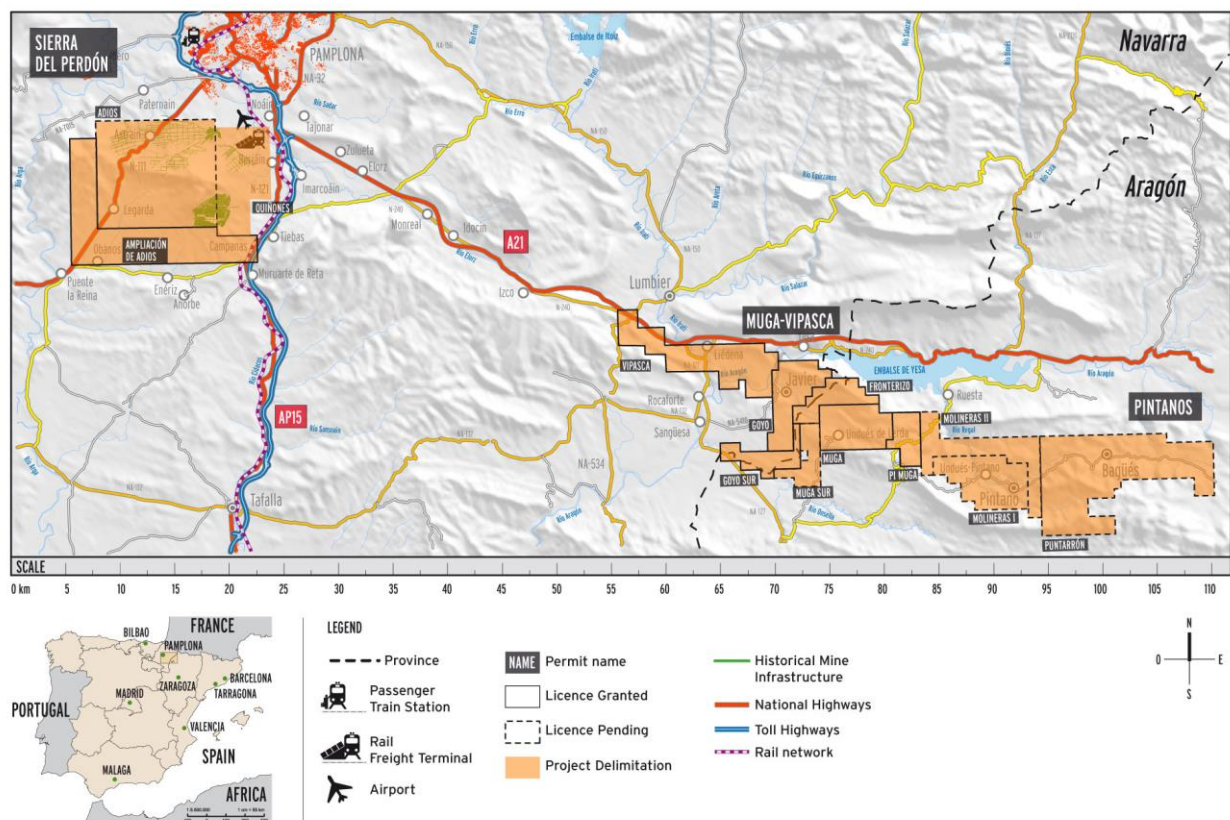


Figure 1: Location of Highfield's Muga-Vipasca, Pintanos, and Sierra del Perdón Tenement Areas in Northern Spain

COMPETENT PERSONS STATEMENT FOR MUGA POTASH PROJECT

This report was approved by Mr Richard Crookes, Acting CEO and Chairman of Highfield Resources. The information in this report that relates to Ore Reserves is based on information prepared by Dr Mike Armitage, the Chairman of SRK Consulting (UK) Limited. Dr Mike Armitage is the Competent Person who assumes overall professional responsibility for the Compliance Opinion. The information in this report that relates to Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Ms Anna Fardell, Senior Consultant at SRK Consulting (UK) Limited, and Mr Tim Lucks Principal Consultant at SRK Consulting (UK) Limited.

Dr. Mike Armitage is employed by SRK Consulting (UK) Limited. The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled under the direction of Dr. Mike Armitage, who 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 Securities 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 report of the matters based on this information in the form and context in which it appears.

Ms. Anna Fardell is a Resource Geologist employed by SRK Consulting (UK) Limited, and has at least 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 is considered a Competent Person (CP) under the definitions and standards described in the JORC Code 2012.

Ms. Anna Fardell consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

COMPETENT PERSONS STATEMENT FOR MINERAL RESOURCES AND EXPLORATION TARGETS OTHER THAN MUGA MINERAL RESOURCES.

This report was approved by Mr Richard Crookes, Acting CEO and Chairman 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.

Table 1: Summary of Highfield's Mineral Interests as at 31 March 2020

Tenement area/Project	Region	Permit Name	Permit Type	Applied	Granted	Ref #	Area Km2	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	Applicatoin in process	35760	22.88	Geocalcali SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	Applicatoin in process	35770	59.40	Geocalcali SL	100%
Sierra del Perdón	Navarra	Ampliación de Adiós	Investigation	25/10/2012	14/02/2014	35880	40.90	Geocalcali SL	100%
							123.18		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	27.3	Geocalcali SL	100%
							27.3		
Muga	Navarra	Goyo (area under concession process)	Investigation	19/07/2011	24/12/2012	35780	14.79	Geocalcali SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	13/12/2019	35920	8.96	Geocalcali SL	100%
Muga	Aragón	Fronterizo (area under concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	8.7	Geocalcali SL	100%
Muga	Aragón	Fronterizo (area outside concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	1.1	Geocalcali SL	100%
Muga	Aragón	Muga (area under concession process)	Investigation	29/05/2013	07/04/2014	3500	15.08	Geocalcali SL	100%
Muga	Aragón	P.I. Muga (area outside concession process)	Investigation	29/05/2013	25/09/2019	3500	5.32	Geocalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	3524	7.28	Geocalcali SL	100%
							61.23		
Pintaros	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18.2	Geocalcali SL	100%
Pintaros	Aragón	Molineras 20	Investigation	19/02/2013	Application in process	3495/20	16.8	Geocalcali SL	100%
Pintaros	Aragón	Puntarrón	Investigation	08/05/2014	Application in process	3510	30.24	Geocalcali SL	100%
							65.24		
							276.95		
						Total			

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.

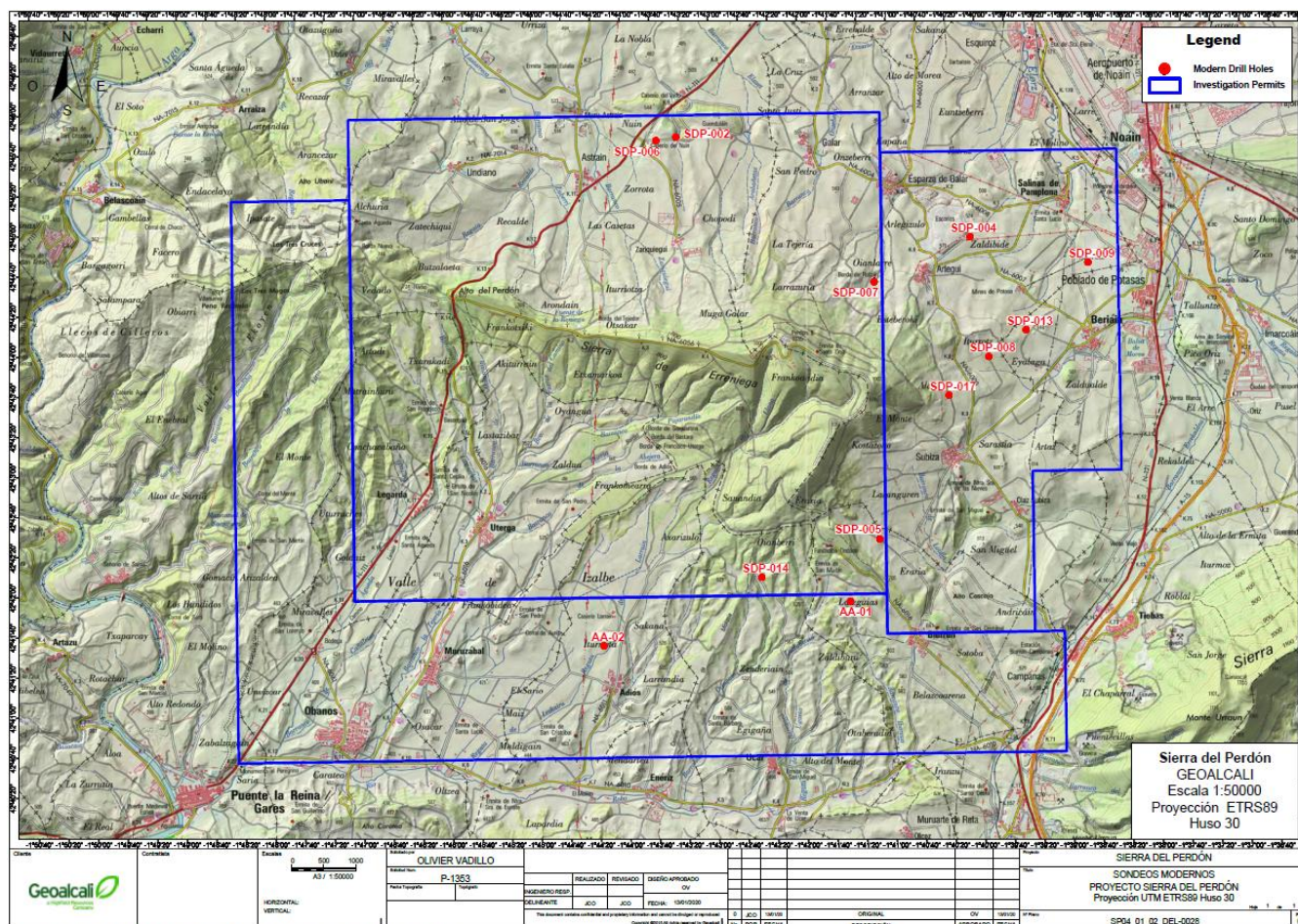


Figure 2: Location of Highfield's Sierra del Perdón drill holes

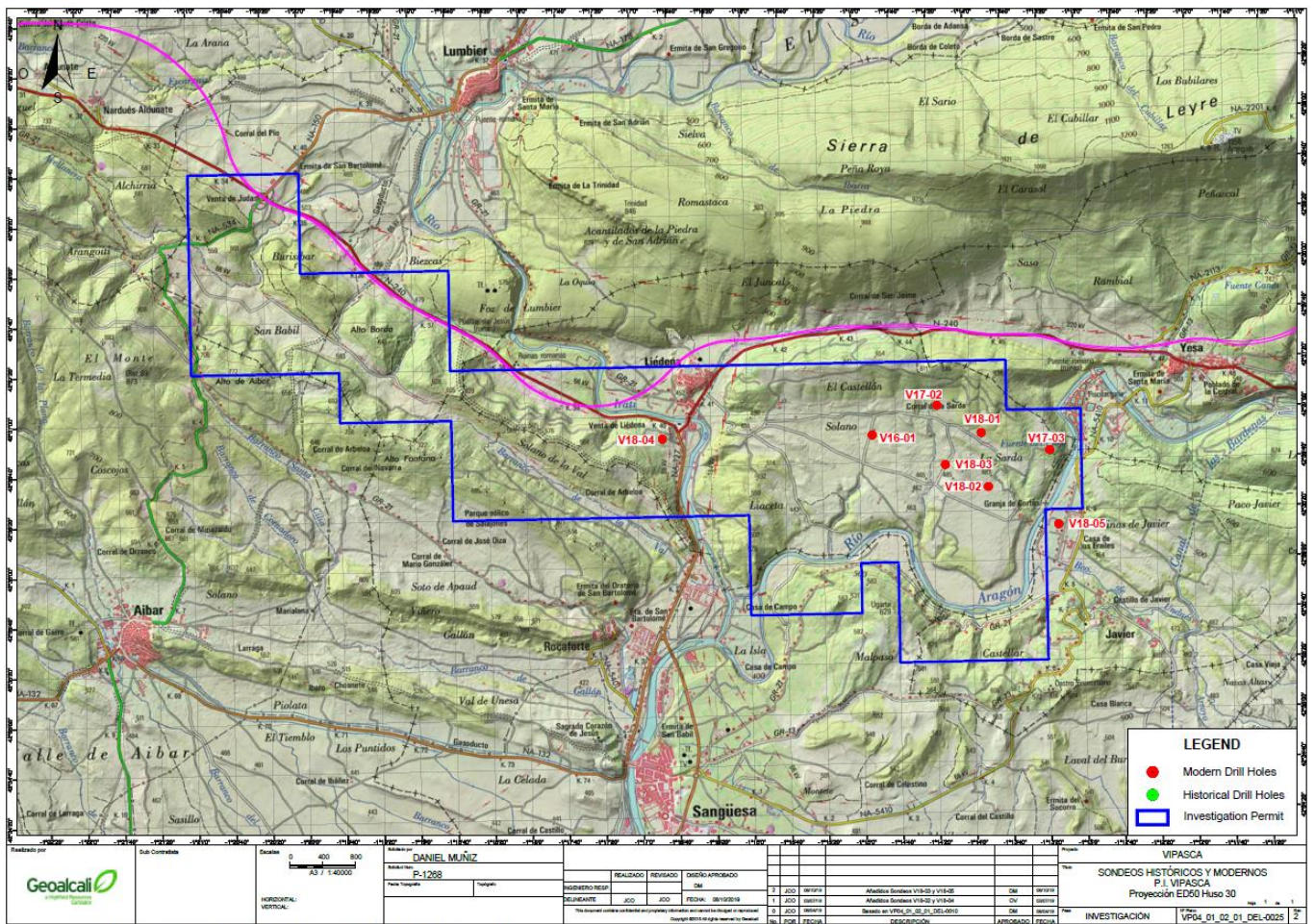


Figure 3: Location of Highfield's Vipasca drill holes

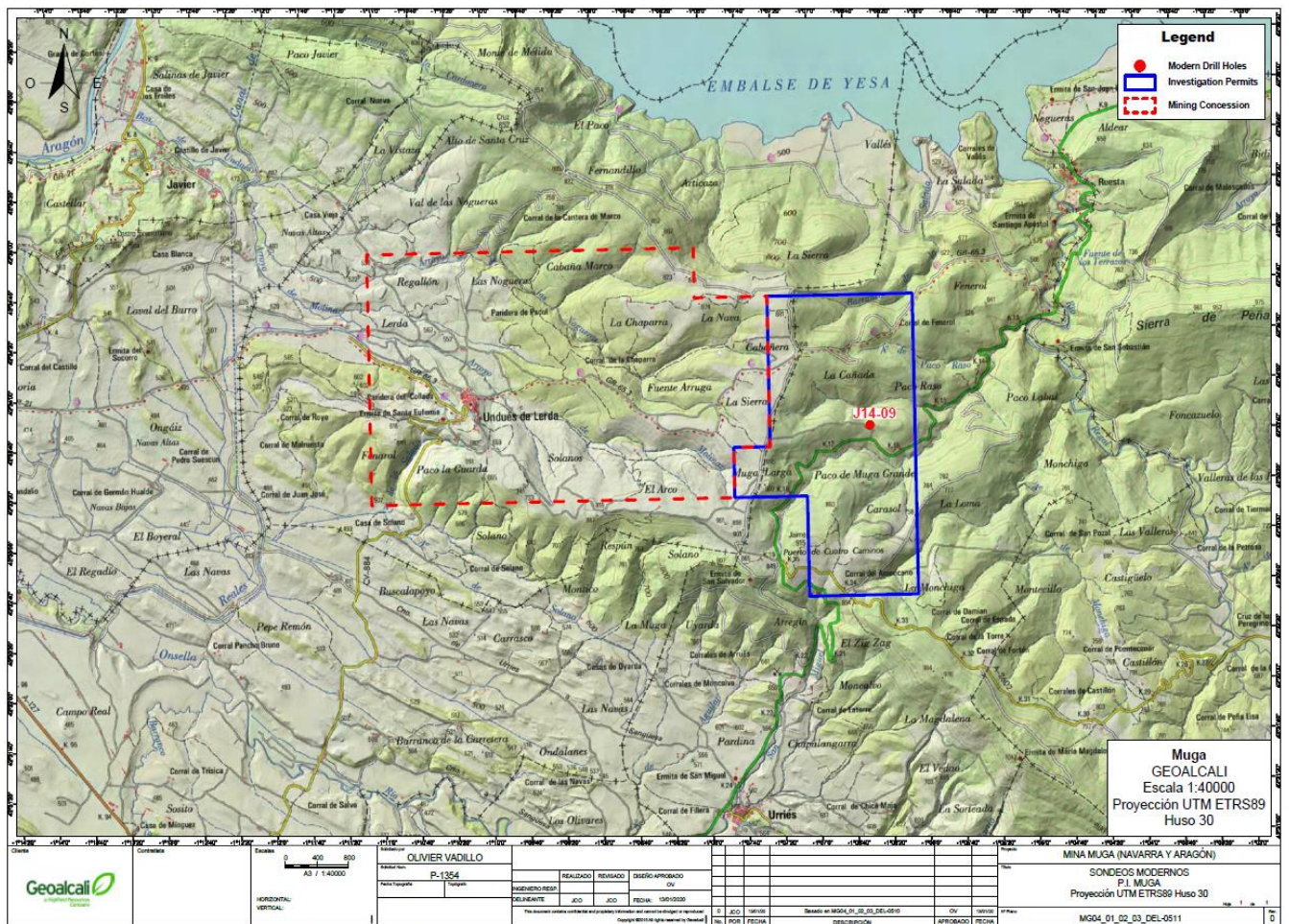


Figure 4: Location of Highfield's P.I. Muga drill hole

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 2020

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)	(436)	(436)
	(b) development		
	(c) production		
	(d) staff costs	(726)	(726)
	(e) administration and corporate costs	(823)	(823)
1.3	Dividends received (see note 3)		
1.4	Interest received		
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)	686	686
1.9	Net cash from / (used in) operating activities	(1,299)	(1,299)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(8)	(8)
	(d) exploration & evaluation (if capitalised)	(4,267)	(4,267)
	(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	(4,275)	(4,275)

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	39,980	39,980
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,299)	(1,299)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,275)	(4,275)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		

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	4,434	4,434
4.6	Cash and cash equivalents at end of period	38,840	38,840

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	38,840	39,980
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)	38,840	39,980

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**

273

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 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)	(1,299)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(4,267)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(5,566)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	38,840
8.5	Unused finance facilities available at quarter end (Item 7.5)	
8.6	Total available funding (Item 8.4 + Item 8.5)	38,840
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	6.98
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: 17 April 2020

Authorised by: the Board of Highfield Resources Ltd.

(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.