

ASX Release  
5 June 2020

## Highfield Resources Corporate Presentation Update

Following Highfield Resources Limited's (ASX:HFR) ("Highfield" or "the Company") announcement on the 27 May 2020 (refer ASX announcement, "Corporate Presentation – May 2020") ("the presentation") the ASX has requested that the Company provide an update to the presentation.

In accordance with ASX Listing Rule 5.19, any subsequent report of a production target or forecast financial information derived from a production target is to provide all of the information required by Listing Rule 5.19; including a cross reference to the initial report and a confirmation statement by the entity in accordance with listing rule 5.19.2. Highfield cross referenced the initial announcement referencing the financial information provided for the Company's flagship Muga Mine released on the 14 October 2019 (refer ASX announcement, "Quarterly Activities Report and Appendix 5B").

The ASX has deemed both the "Quarterly Activities Report and Appendix 5B" (lodged 14 October 2019) and the subsequent announcement released on 21 November 2019 (refer ASX announcement, "Further Clarification – Muga Project") as the "initial announcement" under ASX Listing Rule 5.19. As such, an update to the Corporate Presentation is attached, to cross reference both of the ASX announcements detailed above. No other changes have been made to the 27 May 2020 announcement.

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

For more information:

### Highfield Resources Limited

**Richard Crookes**  
Chairman and Acting CEO  
Ph: +34 636 758 843

**Olivier Vadillo**  
Investor Relations  
Ph: +34 609 811 257

**Australia based queries:**  
**Michael Weir**  
Citadel Magnus – Director, Partner  
Ph: +61 (0) 402 347 032

**UK based queries:**  
**Bobby Morse**  
Buchanan – Senior Partner  
Ph: +44 (0) 7802 875227

**Highfield Resources Limited**  
ACN 153 918 257  
ASX: HFR

**Issued Capital**  
329.5 million shares  
24.66 million options

**Registered Office**  
169 Fullarton Road  
Dulwich, SA 5065  
Australia

T. +61 8 8133 5098  
F. +61 8 8431 3502

**Head Office**  
Avenida Carlos III, 13 - 1ºB,  
31002  
Pamplona,  
Spain

T. +34 948 050 577  
F. +34 948 050 578



Developing the World Class Spanish Muga Potash Mine in the Heart of a European Intensive Agricultural Region



# Corporate presentation

May 2020

### **COMPETENT PERSONS STATEMENT FOR MUGA POTASH PROJECT**

This presentation was approved by Mr Richard Crookes, Acting CEO and Chairman of Highfield Resources. The information in this presentation 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 presentation 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 presentation 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 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 presentation 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 presentation was approved by Mr Richard Crookes, Acting CEO and Chairman of Highfield Resources. The information in this presentation that relates to Ore Reserves, 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 and Mr Manuel Jesús Gonzalez Roldan consent to the inclusion in this presentation 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.

# Why Highfield Resources?



## FIVE-STAR LOCATION

Close proximity to premium European markets & well positioned to key Brazilian market



## POTASH, A KEY COMMODITY

An important global commodity with predictable and strong long term market fundamentals



## STRONG ESG FOCUS

Low environmental footprint, supportive local and regional stakeholder groups, driven by positive socio-economic outcomes



## ROBUST FINANCIALS

NPV8 €1.97 billion,  
25% IRR,  
EBITDA of €310 million per annum at full production



## COMPETITIVE COST POSITION

Low freight cost to key markets, and access to world class transport and infrastructure



## QUALIFIED TEAM

Experienced management team located in Spain, supported by a Board with extensive mining experience

**Power and water permits applications submitted Q4 2019**

**Mining Concession documentation Submitted Q1 2020**



**Richard Crookes**  
**Independent**  
**Non-Executive Director**  
**Chairman**

He has over 30 years of experience in the resources sector. He worked as Chief Geologist and Mining Manager for Ernest Henry Mining in Australia (now Glencore). He has been Executive Director for the Energy Metals Division of Macquarie Bank and Investment Director for EMR Capital.

**Roger Davey**  
**Independent**  
**Non-Executive Director**

He was a Director, Vice President and GM of Minorco (AngloGold) subsidiaries in Argentina. More recently he was Senior Mining Engineer in the project finance team for NM Rothschild Mining and Metals. Roger is experienced in operating in Spain as the Chairman of Atalaya Mining and has considerable knowledge of start-up mines around the world.

**Pauline Carr**  
**Independent**  
**Non-Executive Director**

She has over 30 years of resources sector experience. She has occupied senior and executive positions for Newmont Asia Pacific and Normandy Mining Limited and had worked for a number of years in the petroleum and gas sector with Exxon Mobil.

**Jim Dietz**  
**Independent**  
**Non-Executive Director**

He has over 40 years of experience in the fertilizer industry. He was Chief Operating Officer of Potash Corporation Saskatchewan, ('Potash Corp'), the largest fertilizer company in the world. He was also the President of PCS Nitrogen.

**Isaac Querub**  
**Independent**  
**Non-Executive Director**

He was the CEO of Glencore Spain. Partner of Andria Real Estate Investments, Incogas and Moka Consulting. He was a member of the Board of Asturiana de Zinc and currently he is a member of the board of various European mining companies.

**Brian Jamieson**  
**Non-Executive Director**

He was on the Board of Oxiana for 10 years and assisted Owen Hegarty in developing that company into a major mining house. Brian has over 40 years' experience in the advisory, manufacturing, resources and technology industries in Australia and offshore and is experienced in developing exploration-focused companies into producers.



**Ignacio Salazar  
Appointed CEO**

Highfield has appointed experienced international mining executive Ignacio Salazar to join the group as CEO from July 2020.

He has over 30 years experience, most of which have been in the resources sector. His outstanding international career includes 18 years working with Royal Dutch Shell and 11 years with Orosur Mining Inc. including 7 years as CEO.

On his appointment, Mr. Salazar said: “I am delighted to be joining the Highfield team in Pamplona at this crucial moment, and keen to start contributing to its success.

Highfield has the ingredients and the potential to create a sustainable potash business with its Muga project in Spain”.



## **Mike Norris** **Chief Financial Officer**

He was Finance Director of Avocet Mining, a gold producing company listed on the stock exchange of London. He was Head of Business Performance for Industrial Minerals at Anglo American, and CFO at two Rio Tinto mines in the USA.

## **John Claverley** **Project Director**

He has over 35 years of experience in the construction and infrastructure sector, as well as senior positions in design and project management. He has worked for the past 30 years in Spain.

## **Ricardo Pérez** **External Relations & Permitting**

He has over 20 years of experience in the management of investment firms, leading investment processes in companies, fundraising and strategic consulting. Active member of various companies' boards of directors. He has international experience, facilitating the integration of companies from different countries and their commercial expansion.

## **Javier Olloqui** **Human Resources**

He has over 25 years of experience in Human Resources management, nationally as well as internationally for companies such as Aludium, Gamesa Eólica, Faurecia, Mondragón Group and 3P Biopharmaceuticals.

## **Leonardo Torres-Quevedo** **Project Construction Director**

He has more than 20 years' experience in project management specifically focused on large construction projects in Spain. Prior to becoming an employee of the Company, he worked for 9 years at Bovis Project Management where he spent the last two years working as a project management consultant on the Muga Project in the Company's Pamplona office

## **Olivier Vadillo** **Investor Relations**

He has more than 15 years professional experience in strategic consultancy. He has worked for companies such as Wood Mackenzie and Deloitte MCS Ltd where he developed business strategies and financial models. Previously he was Head of Metals and Mining Research Asia for Wood Mackenzie, Sydney.

# An Outstanding Location

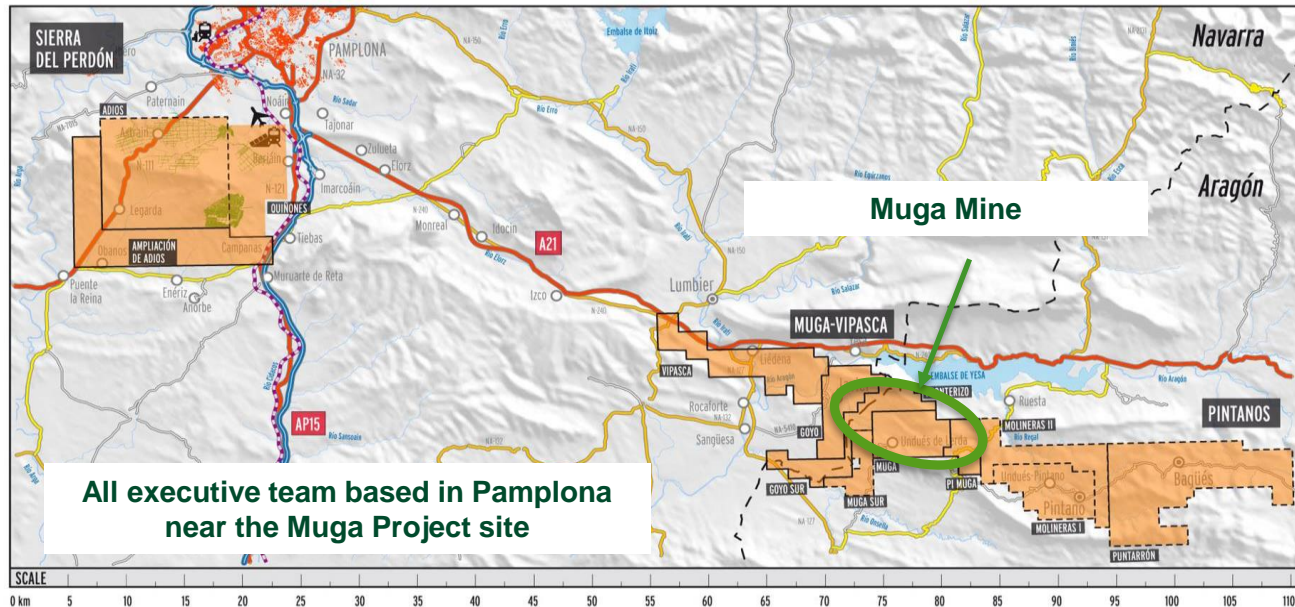
Easy access to premium southern European market

Excellent existing infrastructure

Low freight cost to Brazil, a key potash market

Industry friendly location with strong local support

Muga will be one of only two potash mines located in Southern Europe



**LEGEND**

- Province
- Passenger Train Station
- Rail Freight Terminal
- Airport
- NAME Permit name
- Licence Granted
- Licence Pending
- Project Delimitation
- Historical Mine Infrastructure
- National Highways
- Toll Highways
- Rail network





- Muga Mine production will be of 1 million tonnes of muriate of potash (“MOP”) and 1 million tonnes of salt per year
- The mine will produce a mix of Granular and Standard K60 MOP
  - Phase 1 will be for 500,000 tonnes of MOP
  - Phase 2 will be an additional 500,000 tonnes of MOP
- Salt is produced as a by-product of the processing of potash
  - The sale of salt contributes economically, providing a by-product credit that benefits the Muga Project’s financials
  - Additionally, salt sales will help maintain the low environmental footprint of the Muga Mine and will assist in ensuring full compliance with environmental conditions, including the removal of all salt from surface as part of rehabilitation of the mine site post potash production
  - Salt by-product splits into two sub-products, namely, vacuum salt and de-icing salt

*The Company confirms that all material assumptions underpinning these figures, in-line with the initial public report released on 15 October 2018 (refer ASX release “Muga Project Update”), the Quarterly Report Published on 14 October 2019 and the clarification document released on 21 November 2019 (refer ASX release “Further Clarification – Muga Project”), continue to apply and have not materially changed.*

*The life of mine is based on an exploration target. 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*

All regulatory bodies which are engaged in the Mining Concession process have already given their support to the project

Positive  
Environmental  
Approval  
Awarded

Two  
construction  
permits  
submitted

Water permit  
Power permit

Mining Concession  
documentation  
submitted in Q1  
2020

Continued work on  
remaining  
construction permits

Construction

Estimated to begin 12-18  
months after  
Environmental Approval

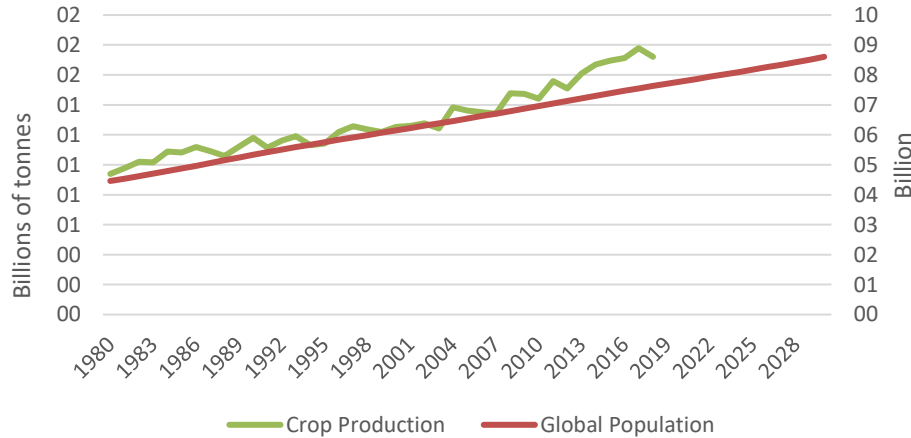
Awarded June 2019

Submitted Q4 2019

2020

Estimated 2 years

## Crop production and population growth



Source: Food and Agriculture Organization of the UN

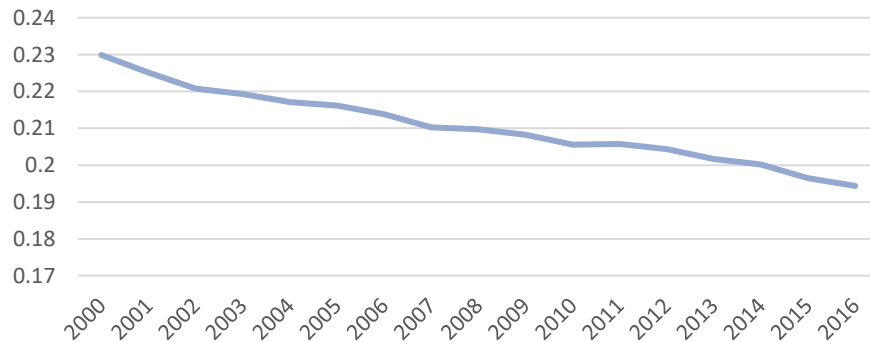


Arable land per person has been steadily decreasing leading to global potash demand increasing approximately 25% from 2012 to 2019.



With global population continuing to grow, increasing demand for potash is expected to continue. Growth of 2.5% p.a. has been forecasted by key potash market analysts.

## Arable land (hectare per person)



Source: The World Bank

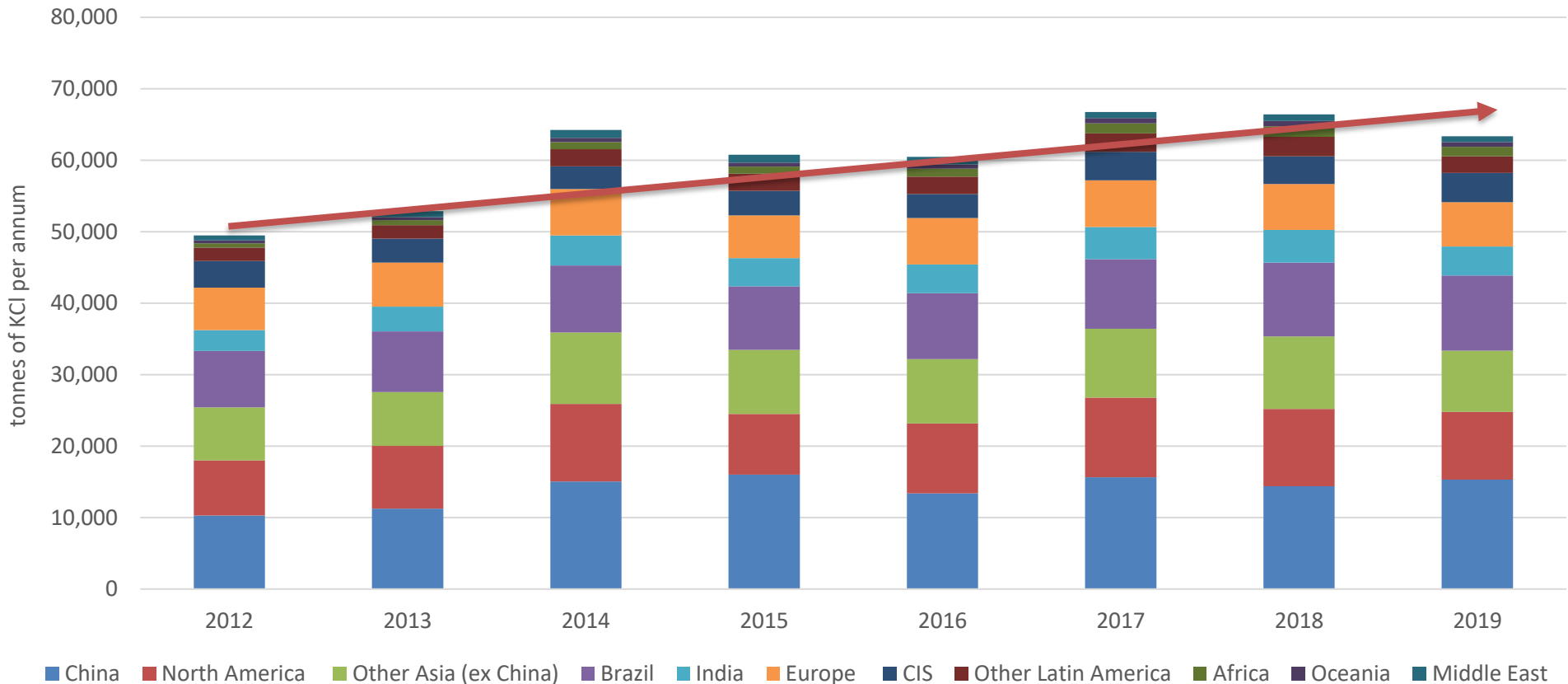


Increased need for higher crop yields, leading to an increased requirement for fertilisers.



All forecasts indicate a very strong long term future for potash demand.

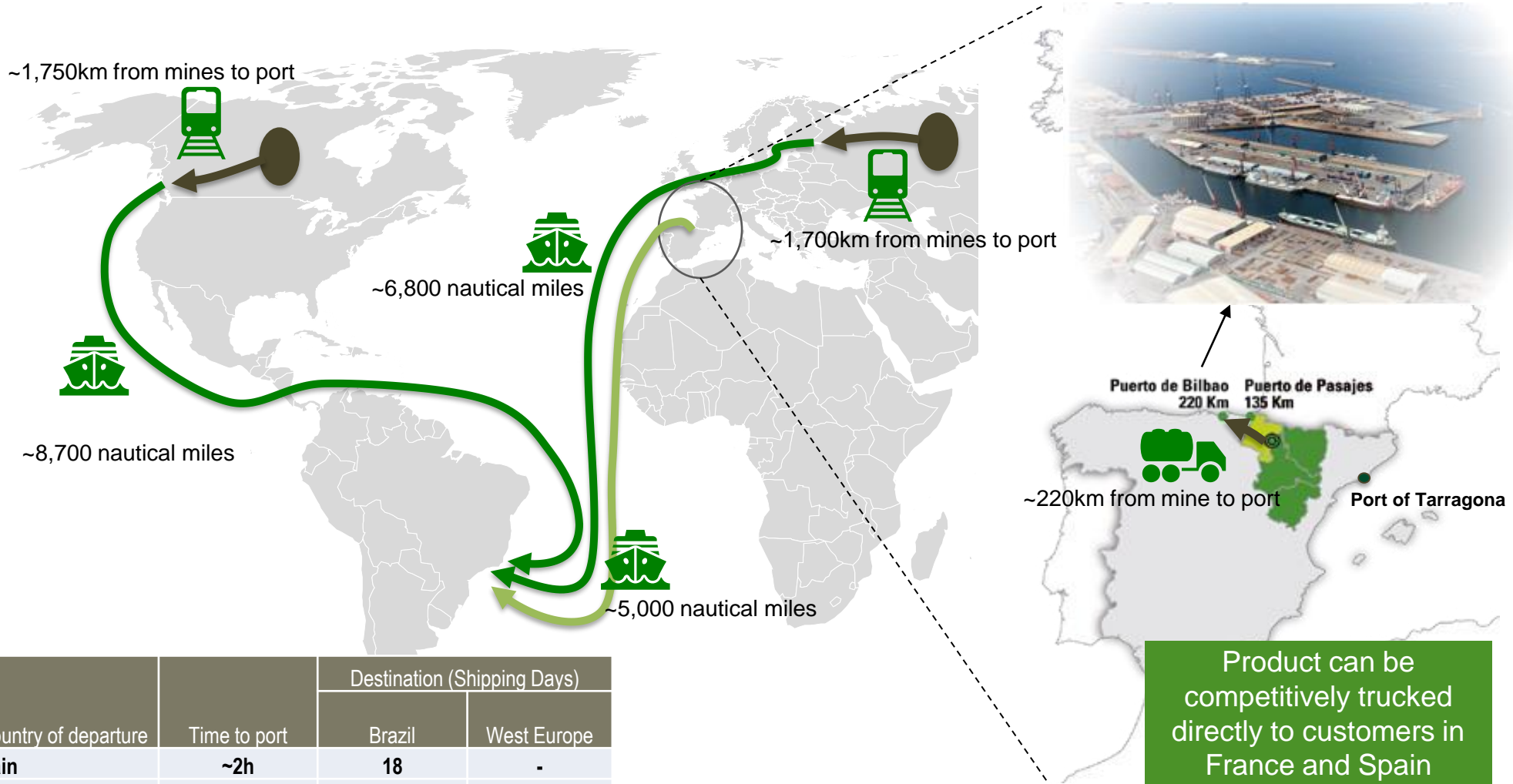
## Compound Annual Growth Rate (2012-2019): ~3%



Source: CRU, Highfield Resources

Demand has contracted slightly in 2020 due to Covid-19, but long-term fundamentals remain strong with population increasing and available arable land decreasing

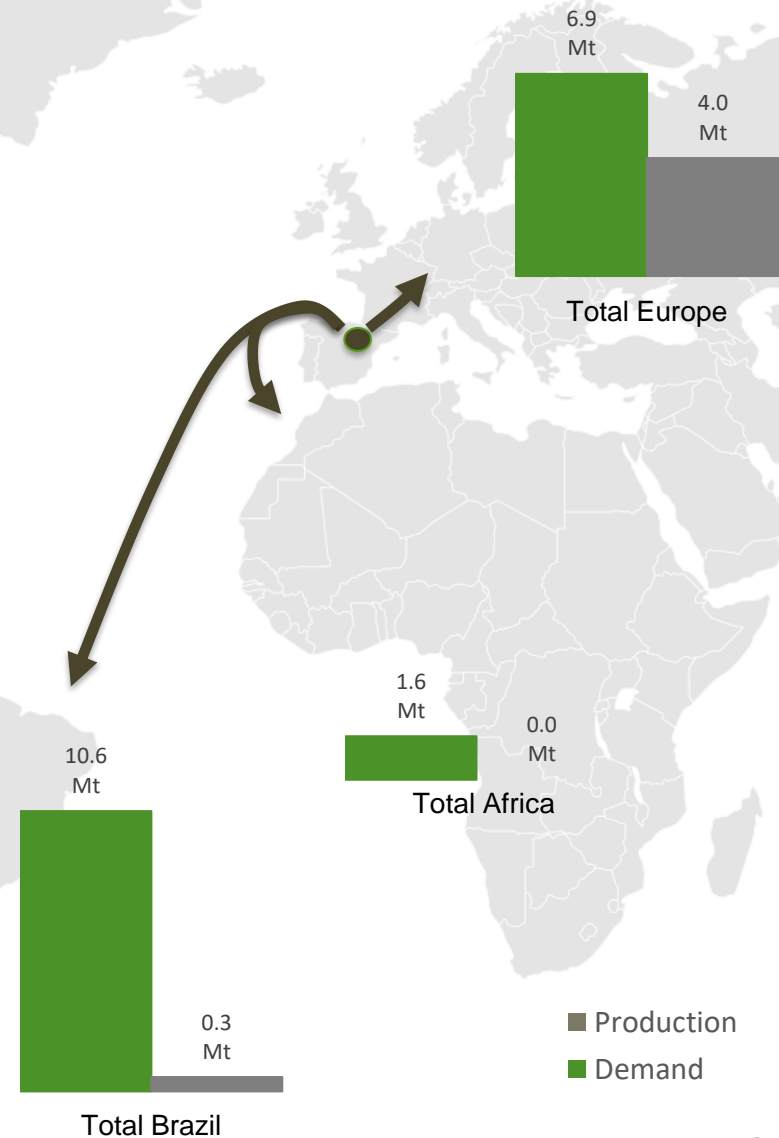
# Logistics Delivering Key Competitive Advantage



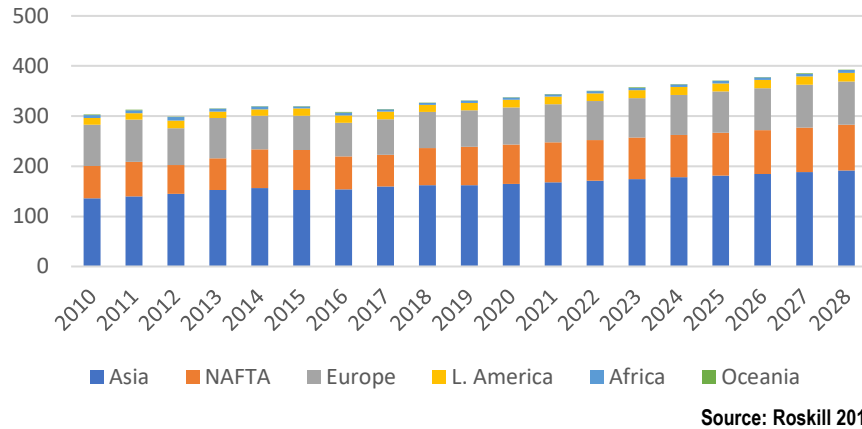
Country of departure	Time to port	Destination (Shipping Days)	
		Brazil	West Europe
Spain	~2h	18	-
Germany	~3h	21	-
Russia/Belarus	~2-3 days	26	5
Canada West Coast	~3 days	43	35

# Key Advantages of Muga Mine Location

- ✓ Muga is in close proximity to key demand areas of Europe
- ✓ Extremely competitive and versatile export options
- ✓ No European import duties to other EU countries
- ✓ European potash production is declining
  - ✓ Boulby potash mine in the UK shut down (Capacity: 500ktpa)
  - ✓ Sigmundshall mine in Germany shut down (Capacity: 600ktpa)
  - ✓ Wintershall mine has restricted production due to low river levels in Germany
- ✓ Strong supply discipline from the major producers with global production cut by 2Mt in 2019 due to increased stock levels
- ✓ Africa & Brazil provide key future growth areas



## Historical and forecast consumption of salt by region (tonnes)

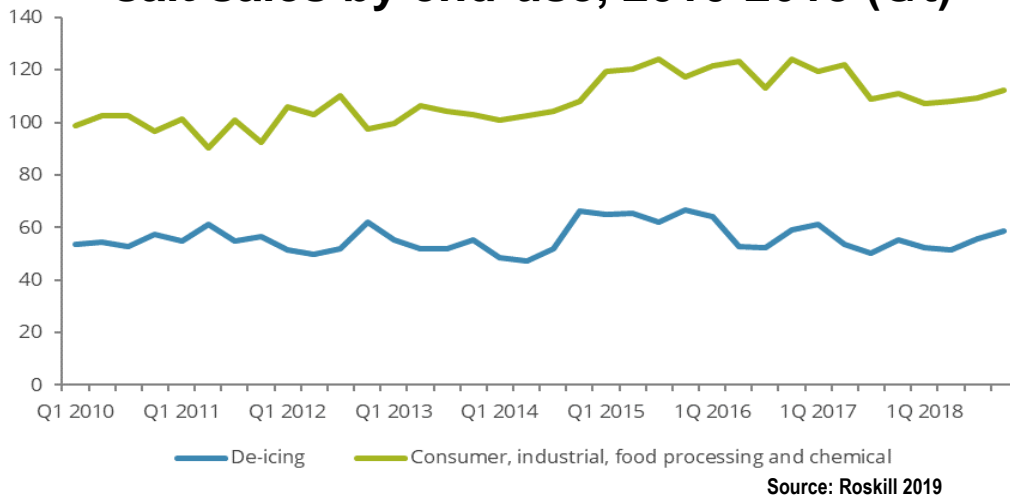


World's population will rise to 9.7 billion by 2050 with most de-icing salt demand in the north hemisphere due to harsher winters.



Global demand of salt is forecast to increase to 424 Mt in 2028, from 352 Mt in 2018, equivalent to a growth rate of 1.9% per year.

## K+S Group's quarterly average values of salt sales by end-use, 2010-2018 (€/t)



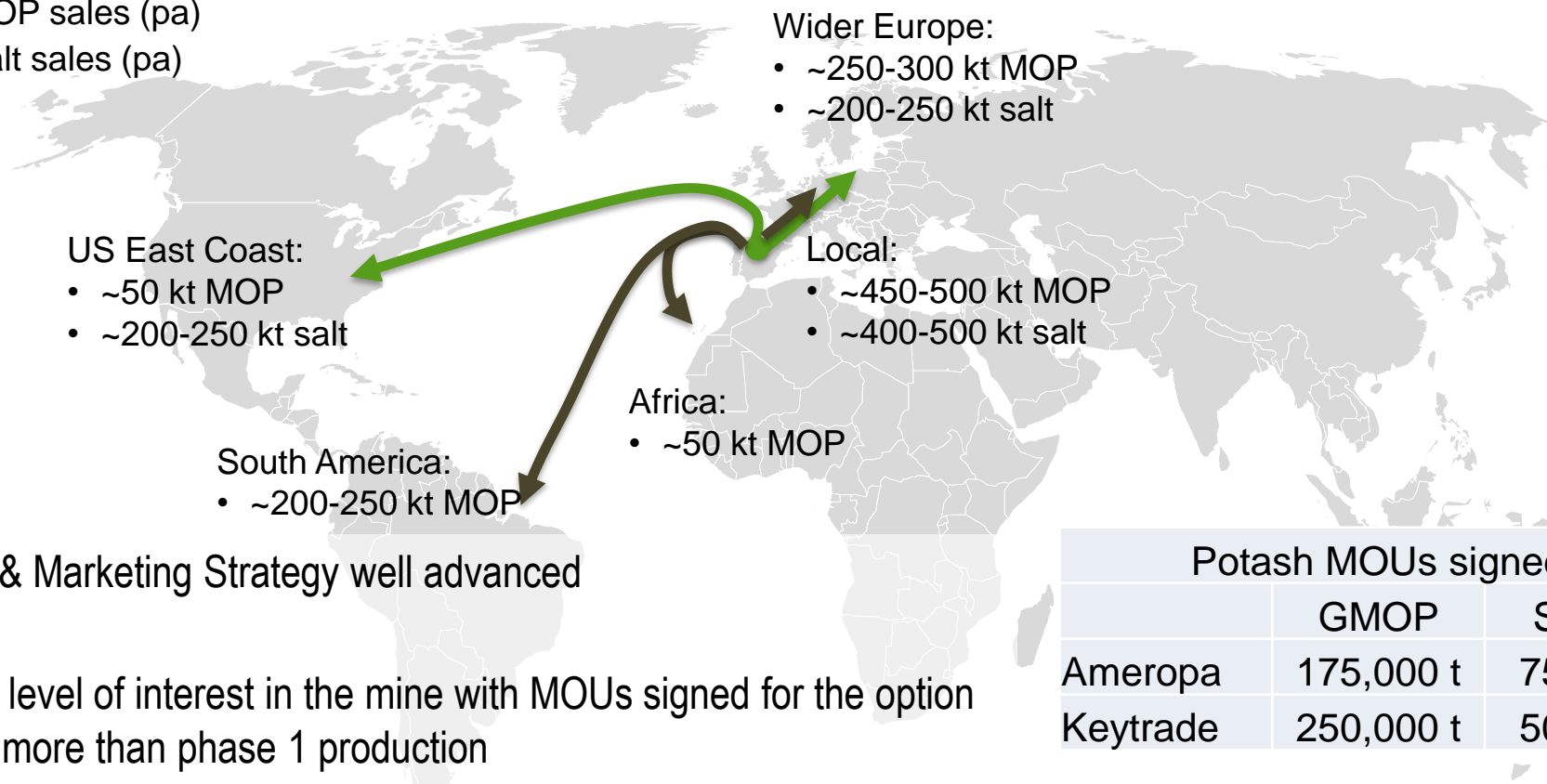
Population increase and industrialization in developing countries will drive growth in the food industry and other industrial salt uses.



All forecasts indicate a steadily growing long-term future for salt demand, in spite of seasonality of de-icing salt.

# Potential sales strategy

MOP sales (pa)  
 Salt sales (pa)



- ✓ Sales & Marketing Strategy well advanced
- ✓ A high level of interest in the mine with MOUs signed for the option to sell more than phase 1 production
- ✓ Extremely competitive and versatile export options
- ✓ Salt sales will convert potential environmental liability into commercial opportunity

Potash MOUs signed		
	GMOP	SMOP
Ameropa	175,000 t	75,000 t
Keytrade	250,000 t	50,000 t

Salt MOUs signed		
	Vacuum	De-icing
Cargill	-	1,000,000 t
Maxisalt	400,000 t	100,000 t

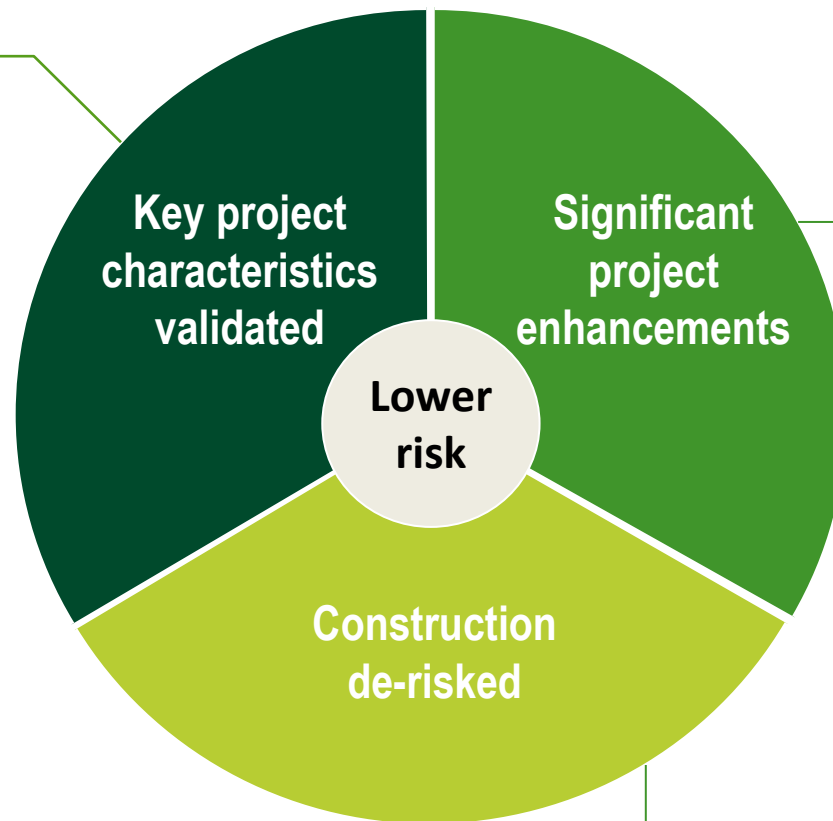


# Key Technical Work Completed at Muga

Updated Ore Reserve Estimate for Muga comprising 108.7 million tonnes of Proved and Probable Reserves at 10.2% K2O, with 27 years LOM\*, confirming the technical and economic validity of the Project

Recent encouraging drilling at Vipasca has confirmed the potential for the continuity of Resources between Muga and Vipasca

Mine design previously confirmed by international experts, SRK Consulting, Saskatchewan Research Centre, Hatch and Micon International Company Limited



Process plant design improvements have been as a result of detailed testwork and basic design undertaken by German engineering specialists GEA Messo GmbH and K-UTEC

Based on these improvements Grupo IDP has commenced detailed design engineering for the process plant

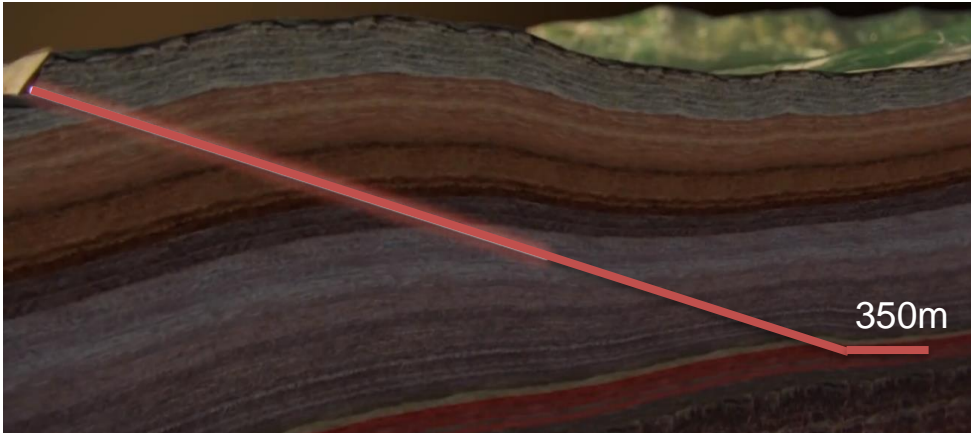
MOU with Acciona providing reduced construction and Project delivery risk

*\*Competent Persons Statements found at the start of presentation*

*The Company confirms that all material assumptions underpinning these figures, in-line with the initial public report released on 15 October 2018 (refer ASX release "Muga Project Update"), the Quarterly Report Published on 14 October 2019 and the clarification document released on 21 November 2019 (refer ASX release "Further Clarification – Muga Project"), continue to apply and have not materially changed.*

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# Conventional Mine with Tier-One Infrastructure



Decline access to shallow mineralization. Underground Room and Pillar mining  
No aquifers



Close to the Port of Bilbao, Spain's largest port



First class infrastructure, access to new road systems



National Electricity Grid Substation in close proximity to mine site

# Strong Financial Position and Equity Market Support

**EMR Capital**, strong supporter and Highfield's largest shareholder at 30%

**Australian Super** – supportive shareholder with 5% holding

Project updated with **Phase 1 capex of €368 million** and Phase 2 capex of €208 million and **C1 cash costs of €82/t**, including salt by-product credit

Compelling financials, with an **NPV<sub>8</sub> of €1.97 billion**, **IRR 25%** and **EBITDA of €310 million** per annum at full production

**Cash of A\$38.8 million** as at 31 March 2020

**Debt credit of €185 million** previously approved by key European banks – new approval to be sought




Several **financing options** available through debt and equity

## Project enhancements improved compliance

As well as delivering better technical and commercial outcomes, project enhancements made at Muga deliver a number of value adding and improved environmental results, that comply with the DIA environmental permit issued by the Ministry for Ecological Transition

The enhancements have resulted in an updated Muga CAPEX estimate with a Phase 1 CAPEX of €368 million and a Phase 2 CAPEX of €208 million

## Significantly improved economics

	15 October 2018		14 October 2019
<b>C1 FOB cost</b>	€104/tonne		€82/tonne
<b>NPV<sub>8</sub></b>	€1.16 billion		€1.97 billion
<b>IRR</b>	23%		25%

# ESG is a Key Area of Focus for Highfield Resources

## Environmental Factors

Environmental compliance and commitment through DIA award



Progressively rehabilitate mine. Muga will be the first potash mine not to leave salt on the surface after production



Optimised energy usage and efficiency in design



Zero environmental incidents during drilling activity



## Social Factors

Positive feedback indicates local support increase (+90%)  
Well attended public sessions



Qualified and available local labour market (+4000 CVs received)



Building a strong safety culture:  
**Zero accidents**  
Training ongoing



100+ initiatives already invested in the community



## Governance Factors

Robust governance processes and strong focus on corporate responsibility and ethics



Geoalcali admitted as a signatory to the UN Global Compact initiative



Commitment to disclose non-financial information on a timely basis



# Muga Mine Enjoys Tremendous Community and Government Support



The Company hosted a well attended breakfast information session with mayors from local towns in July 2019



In Sept 2019 The Company hosted a two-day Open Doors event at its core shed in Sangüesa, welcoming around 400 people from the communities near the Muga Project

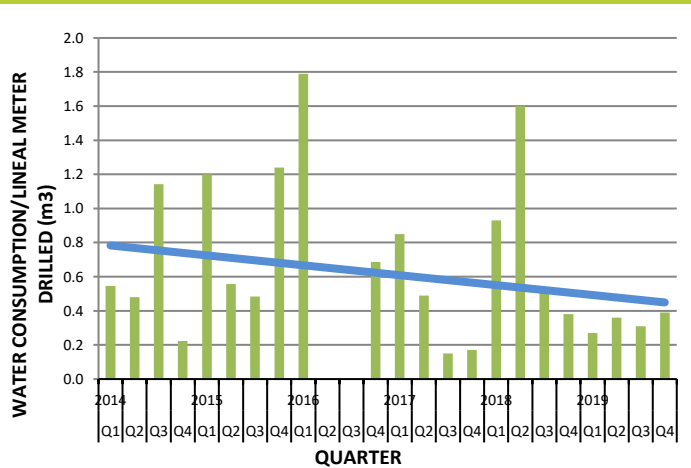


Vice-President of Navarra with former CEO Peter Albert and other key figures from the local mining sector

# A Primary Focus on Protecting the Environment

Commitment maintained to minimising the use of water during its drilling works

## Water Consumption



Commitment to local wildlife

## Protecting biodiversity



- Monitoring of fauna population
- Collaboration with SEO/BirdLife (NGO)
- Use of nest boxes for birds and bats

Environmental commitment

Zero environmental incidents over four consecutive years



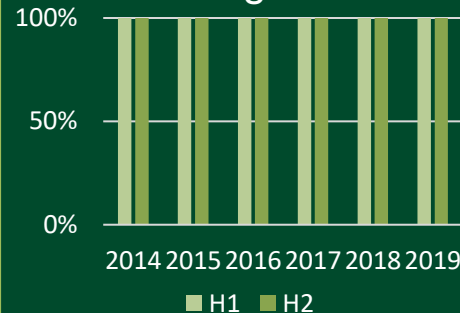
Improved identification of drilling locations



Improved methodology which considers environmental, social and health and safety factors to ensure the optimal drill site location

Responsible consumption and production

100% restoration of drilling sites



- Soil rehabilitation in accordance with the legislation
- Satisfactory official monitoring of the Company's environmental performance

Waste management



- Control of the waste in work centres and drilling works
- Low hazardous waste is managed by authorised personnel

Raising environmental awareness



Training initiatives for employees on potential environmental impacts

## Bonus 2018

A health and safety recognition for having a low accident rate

¡Enhorabuena!  
Vuestra empresa merece el "bonus"



Desde Mutua Navarra queremos felicitaros por poner en marcha iniciativas que promueven una cultura de empresa más saludable. Invertir en prevención es siempre rentable. Ya has mordido la manzana de la salud. Sigue mordiendo.



## Member of Ecodes' Climate Action initiative



## InnovarSE certificate

Receipt of the Cycle of Improvement award as a result of sustainable initiatives



**RSA 2020 certificate**  
Aragón Province Social Responsibility Seal for the fourth consecutive year



## Reconcilia certificate Work Life Balance Award



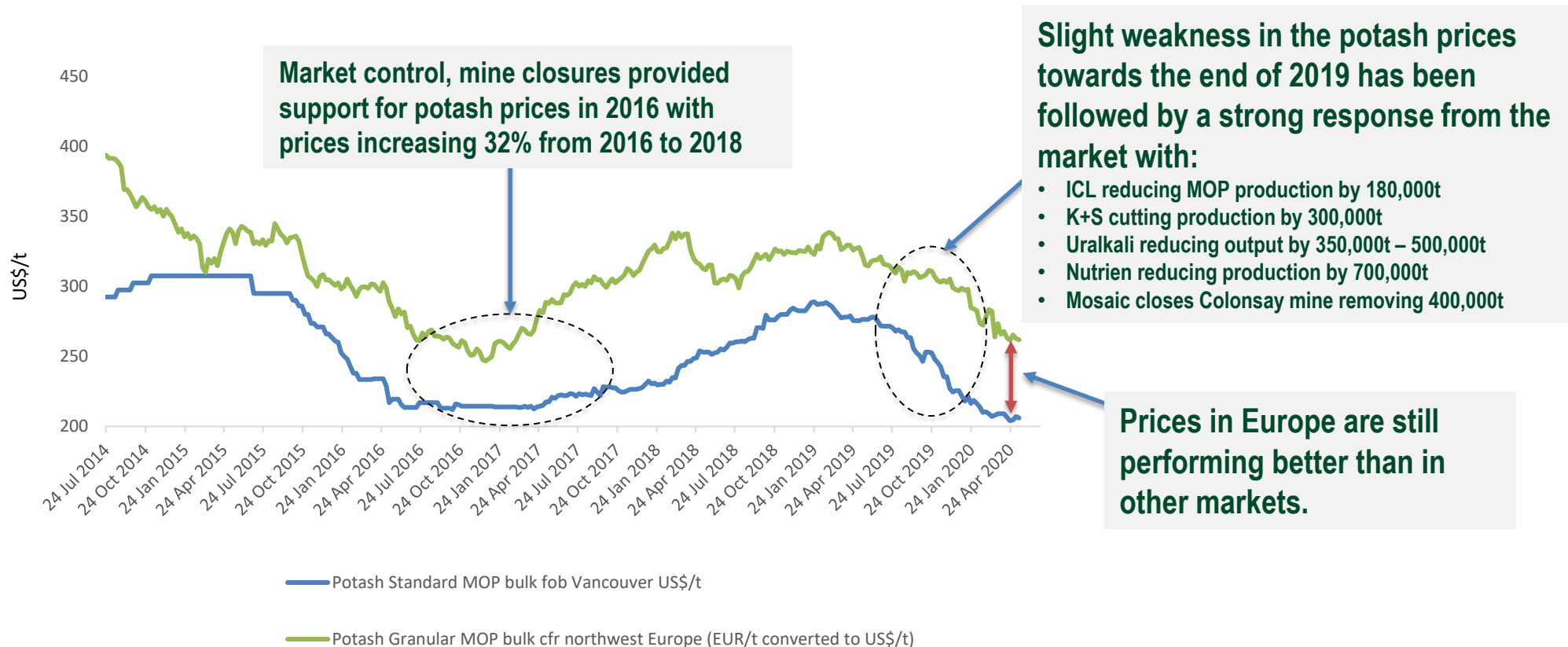
**Blue Stamp/Seal**  
For Health and Safety



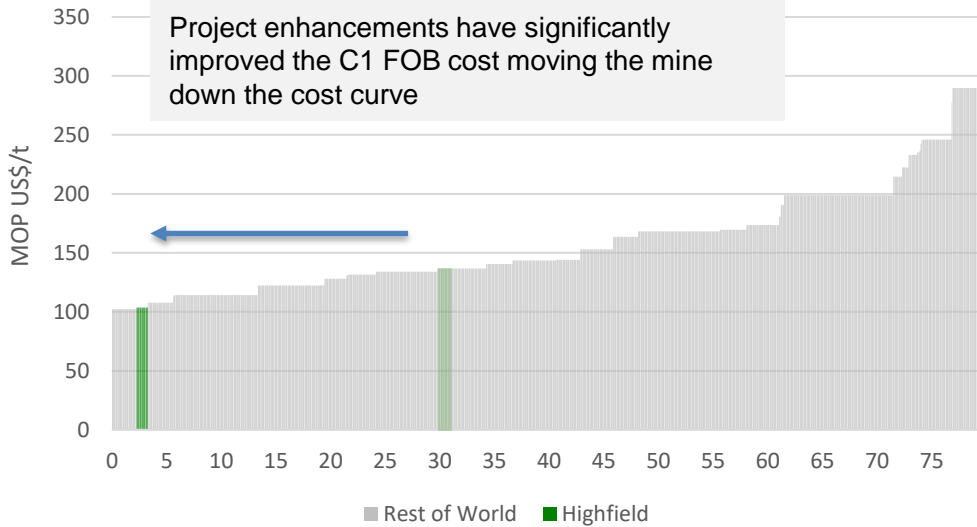


# European Prices Maintain a Premium Price

- Tight local supply due to mine closures and high cost local producers have maintained the European price premium even during the temporary Covid-19 disruption
- Given the mine's location, a large part of the regional premium will be captured at the mine



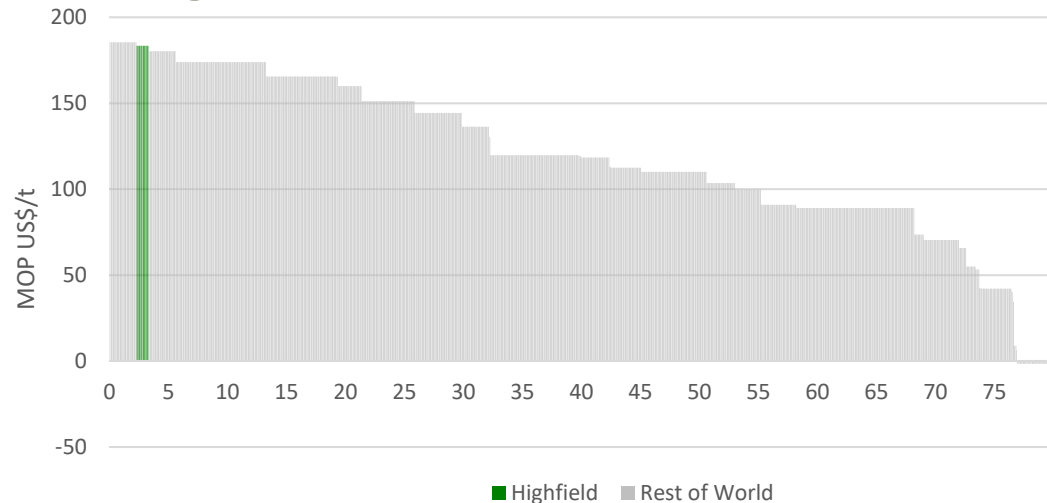
## FOB Cost curve forecast for 2024 (real US\$)



- European prices continue to trade at a premium to other markets
- Due to Muga's European location, freight rates to this market would be significantly less than other producers and therefore the mine would see virtually all the European premium.
- Extremely competitive and versatile export options from Muga will deliver high margins at the mine gate

The updated costs and forecasted revenues position the mine as potentially one of the **highest margin potash mines globally**

## Margin curve forecast for 2024 (real US\$)

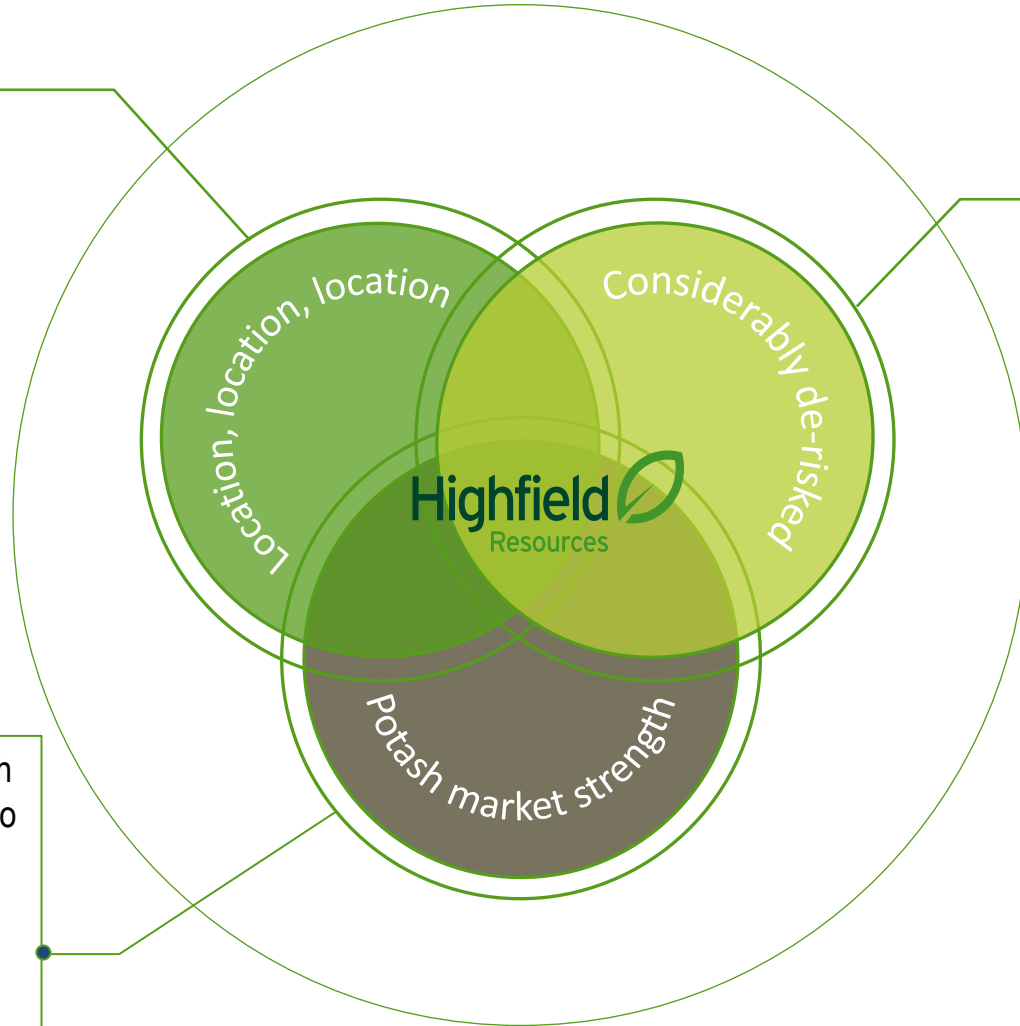


Source: Highfield Resources., ASX Release 14 October 2019

The Company confirms that all material assumptions underpinning these figures, in-line with the initial public report released on 15 October 2018 (refer ASX release "Muga Project Update"), the Quarterly Report Published on 14 October 2019 and the clarification document released on 21 November 2019 (refer ASX release "Further Clarification – Muga Project"), continue to apply and have not materially changed.

# Three Key Takeaways

- Muga mine will be in the heart of a key European demand region
- European prices have maintained a premium to other global prices
- The mine will have extremely competitive and versatile export options



- Permitting process continues, with project significantly de-risked through DIA
- Mining Concession documentation submitted, and construction permits documentation well advanced
- Strong financial position and equity market support
- ESG is a key area of focus for Highfield Resources
- Technically de-risked with conventional mine, processing and first class infrastructure

- Strong market fundamentals with global need for food continuing to increase
- Prior to temporary Covid-19 disruption, potash prices had recovered from 2016 lows
- Future for fertilisers and potash continue to display positive characteristics

## Muga Potash Mine

Potentially one of the highest margin potash mines globally



Low capex intensity per tonne of potash compared to other potash producers



Low technical risk with conventional mining and processing, and low net cash costs



Strong market fundamentals. Potash market analysts forecast ~2.5% growth p.a.



Strong local, regional and national support, reflecting Highfield's focus on ESG factors



## Highfield Resources



Experienced and capable management team



Strong board with global mining industry experience and robust governance processes



Highfield Resources continues to de-risk and advance the Muga Project towards production



Strong financial position and support



Upside opportunity with Muga Phase 2, pipeline of two other projects in the same Ebro Basin and an SOP project at the Port of Bilbao

## **REGISTERED OFFICE**

169 Fullarton Road  
Dulwich SA 5065  
Australia

## **SPAIN HEAD OFFICE**

Avenida Carlos III, 13-15, 1B, 31002 Pamplona, Spain  
T: +34 948 050 577 | F: +34 948 050 578

## **FURTHER INFORMATION**

**Richard Crookes** Chairman T: +34 636 758 843  
**Olivier Vadillo** Investor Relations T: +34 609 811 257

[www.highfieldresources.com.au](http://www.highfieldresources.com.au)

