

ASX Release  
17 July 2019

## QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2019

### Overview

- Key environmental permit to enable Muga Project to move forward received.
- Successful multi-country investor update and roadshow completed in July 2019.
- Experienced Highfield Non-Executive Director, Richard Crookes, appointed Board Chairman.
- Key managerial appointments to progress the Muga Project, including Project Construction Director and Financing Manager, made.
- Negotiations for ordering of long lead mining equipment advanced.
- Two drill holes completed at the Vipasca Tenement Area.
- Cash at bank as at 30 June 2019: A\$48.8m.

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

**Issued Capital**  
329.5 million shares  
31.51 million options

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## Muga Project

### Overview

Highfield Resources (ASX: HFR) (“Highfield” or “the Company”) is a Spanish potash developer. The Company’s flagship Muga Project (“Muga” or “the Project”) is targeting the relatively shallow sylvinite beds in the Muga Project area that cover about 60km<sup>2</sup> in the Provinces of Navarra and Aragon. Mining is planned to commence at a depth of approximately 350 metres from surface and is therefore ideal for a relatively low-cost conventional mine.

The Vipasca permit area (see Figure 3) is located adjacent to the Muga Project and covers approximately 27km<sup>2</sup>. 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

As reported at the start of June (refer ASX release 6 June 2019, “Muga Project Receives Positive Environmental Permit”) the Company has received a positive Declaración de Impacto Ambiental (“DIA”) in respect of the Muga Project. The granting of the positive DIA was then subsequently published in the official Spanish public bulletin on the 21 June 2019.

This positive DIA means the Company has now received the key environmental permit required to move its Muga Project forward.

The Company will now focus on securing the Mining Concession and the construction permits which are the next permits necessary to take the Project into the construction phase. It will progress its financing and product offtake strategies in the coming months and will also commit to the purchase of certain long lead time mining and process plant equipment, as well as the completion of the final Project design.

### Muga Project and Vipasca Permit Technical Update

During the Quarter additional enhancements to the processing plant at the Muga Project continued to be reviewed with a view to further improving recoveries.

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. The Company has been focusing on the more prospective areas towards the east of the Vipasca permit and in the fourth quarter of 2018 completed two drill holes. Drill hole V17-03 ended at 925m with an in-hole intercept of 52 metres of potash bearing rock while the second drill hole V17-02 intersected a relatively thin potash seam (see Figure 3). Following laboratory analysis of the samples from both holes the assay results were released on 10 July 2019.

During the Quarter, the Company continued its drilling programme at Vipasca completing drill hole V18-01 and V18-04, and on 6 June 2019 started a new drill hole V18-02 (see Figure 3). The assay results of these drill holes will be released to the market when available. A further drill hole V18-03 is planned for the September 2019 quarter.

Prior to the receipt of the positive DIA, pre-construction activities were focussed on ensuring that the Project Team and others involved in the detailed design development and procurement were primed to commence activities to achieve a timely construction start. To this end, preparatory work has been ongoing with engineering consultants and suppliers of specialist equipment, both for the mine and for the process plant.

During the Quarter, engineering awards were made, or confirmed pending permitting, in respect of the backfilling installation, the crystallizer installation and the brine treatment requirements. These awards are in line with the baseline environmental criteria established by the positive DIA.

In addition to this, the Company advanced the negotiations for the ordering two pieces of long lead mining equipment, the bolter-miners, and has issued a letter of intent to the successful supplier. Further provisional

awards have been made for various long lead process plant equipment in order to facilitate the progress of the detailed engineering.

Further to the construction MOU agreed with the preferred construction partner, Acciona Construcción S.A. (refer ASX release 16 November 2018, “MOU signed with Acciona”), the receipt of the positive DIA means that the Company and Acciona can move forward with the development of a definitive construction contract and the formal engagement of Acciona in the Project to ensure maximum benefit is derived from its construction experience during the final stages of the design.

### Muga Project Financing

The Company has continued to update its project finance syndicate with respect to the financing facility for Muga and has successfully re-engaged with the banks about next steps following receipt of the positive DIA. During June the Company also engaged with the equity markets to provide an update for investors, the response to which was very positive (refer ASX release 6 June 2019, “Investor Presentation”).

Highfield remains confident of securing the necessary debt and equity financing in due course, to support a final investment decision and the commencement of construction.

### Corporate

At the Company’s AGM on 23 May 2019 (refer ASX release, “Board Changes”) and in line with the Company’s previous communications to shareholders,, Mr Derek Carter, previously Chairman of the Board, retired from the Board and it was announced that Mr Richard Crookes had been appointed as Chairman by the Board .. Mr Owen Hegarty also retired from the Board.

Mr Crookes is an experienced geologist and mining project financier and has been a Non-Executive Director of Highfield since 2013. He has over 30 years’ experience in the resources and investment industries and has been responsible for the origination of numerous financing transactions. Mr Crookes has an intimate knowledge of the Company’s exploration, technical and project activities and its governance activities through his involvement with both the Audit, Business Risk and Compliance Committee and the Remuneration and Nomination Committee. In his new role as Chairman, Mr Crookes will retain his role as a member on the Remuneration and Nomination Committee but relinquish his role as a member on the Audit, Business Risk and Compliance Committee. Independent Non-Executive director, Mr Roger Davey, will join the Audit, Business Risk and Compliance Committee, Both Committees will continue to have a majority of independent Directors.

The Company reported on 20 June 2019 (refer ASX release, “Appointment of Project Construction Director for the Muga Project”), that Mr Leonardo Torres-Quevedo Angoloti was appointed as Project Construction Director for the Muga Project. Mr Torres-Quevedo Angoloti, a qualified mining engineer and a Spanish national, 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, Mr Torres-Quevedo Angoloti worked for 9 years at Bovis Project Management S.A. (“Bovis”) where he spent the last two years working as a project management consultant on the Muga Project in the Company’s Pamplona office. Bovis is a large and established Spanish construction management company with over 35 years’ experience in the project management space. His previous experience, including that at Bovis and most recently as a consultant to Highfield, means he has the ideal profile to be the Project Construction Director as the Company moves closer to constructing the Muga Mine.

During the Quarter Ms Nina Kostadinova accepted an offer to join the Company as Financing Manager, in which her main responsibility will be to assist manage the Company’s financing for the Muga Project. Ms Kostadinova has over 15 years’ experience in corporate and structured finance and has an MSc and an Executive MBA. Her previous experience includes raising project finance and other substantial funding for large construction and infrastructure projects, predominantly in Spain, but also in Europe and Latin America. Her experience will be invaluable in the next phase of the Muga Project.

The Company also released its 2018 Sustainability Report (refer ASX release 17 June 2019, “Sustainability Report”). This Sustainability Report, the fourth issued by the Company, includes the activities of Highfield and its Spanish subsidiary, Geoalcali S.L.U., and spans the 18 month period up to 31 December 2018.

The Report provides transparency on how Highfield approaches its obligations to operate in a sustainable manner and explains the organisation’s sustainability framework and how it plans ahead to ensure its future performance will meet its high environmental, social and governance “ESG” management standards in the communities in which it operates.

### **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 65km<sup>2</sup>. Depths from surface to mineralisation commence at around 500 metres. The Company is building on substantial historical potash exploration information which 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 Molineras 2 following the conclusion of the public consultation period.

### **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 120km<sup>2</sup>. 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 Company has obtained legal advice and is progressing an appeal process with regards to this decision. It remains confident of a positive resolution.

### **Izaga Tenement Area**

The Company has an additional 100% owned tenement area in the Ebro basin (see Figure 1) known as Izaga. Izaga covers an area of more than 57km<sup>2</sup>, where historic drill holes and 2D seismic show a relatively continuous evaporite with drill hole intersects containing potash.

Previously the Izaga tenement area comprised the three permits of Girardi, Palero and Osquia. In February 2019 the Company relinquished the less prospective areas of Girardi to the north of the Osquia permit and Palero to the west of the Osquia permit in order to focus on the more prospective Osquia permit. No additional field work was carried out on this permit during the Quarter but a drill hole is planned in the second half of 2019.

### Cash Position

The Company continues to preserve cash whilst at the same time committing to expenditure required for permitting and Project optimisation activities. As at 30 June 2019, the Company had A\$48.8 million in cash.

### Plans for September Quarter 2019

#### Muga Project

- Continue work to secure the Mining Concession and construction permits.
- Continue Project optimisation work and commence detailed design.
- Advance financing discussions with both debt and equity providers.
- Progress discussions with potential potash off-takers.

#### Vipasca Permit

- Complete assay analysis for V18-01 and V18-04, and submit V18-02 samples for assay analysis.
- Commence drilling at V18-03.

#### Other Tenement Areas

- Continue to progress the appeal process for the second three year extension application for the Adiós and Quiñones permits at Sierra del Perdón.

For more information:

### Highfield Resources Limited

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Managing Director  
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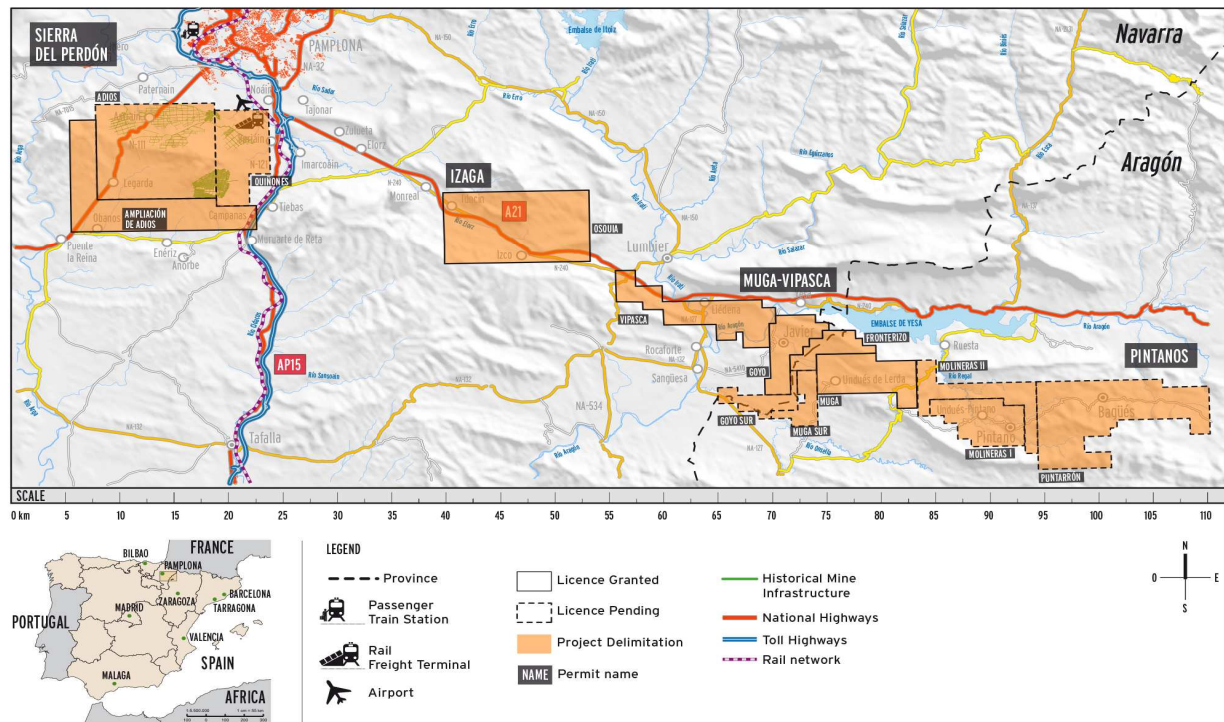
**Olivier Vadillo**  
Investor Relations  
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## About Highfield Resources

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

Highfield's Muga-Vipasca, Pintanos, Izaga and Sierra del Perdón potash tenement areas are located in the Ebro potash producing basin in Northern Spain, covering an area of around 335km<sup>2</sup>.

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 Project into the construction phase



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

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

*This report was prepared by Mr Peter Albert, Managing Director 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 prepared by Mr Peter Albert, Managing Director of Highfield Resources. The information in this report 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 update of the matters based on their information in the form and context in which it appears.*

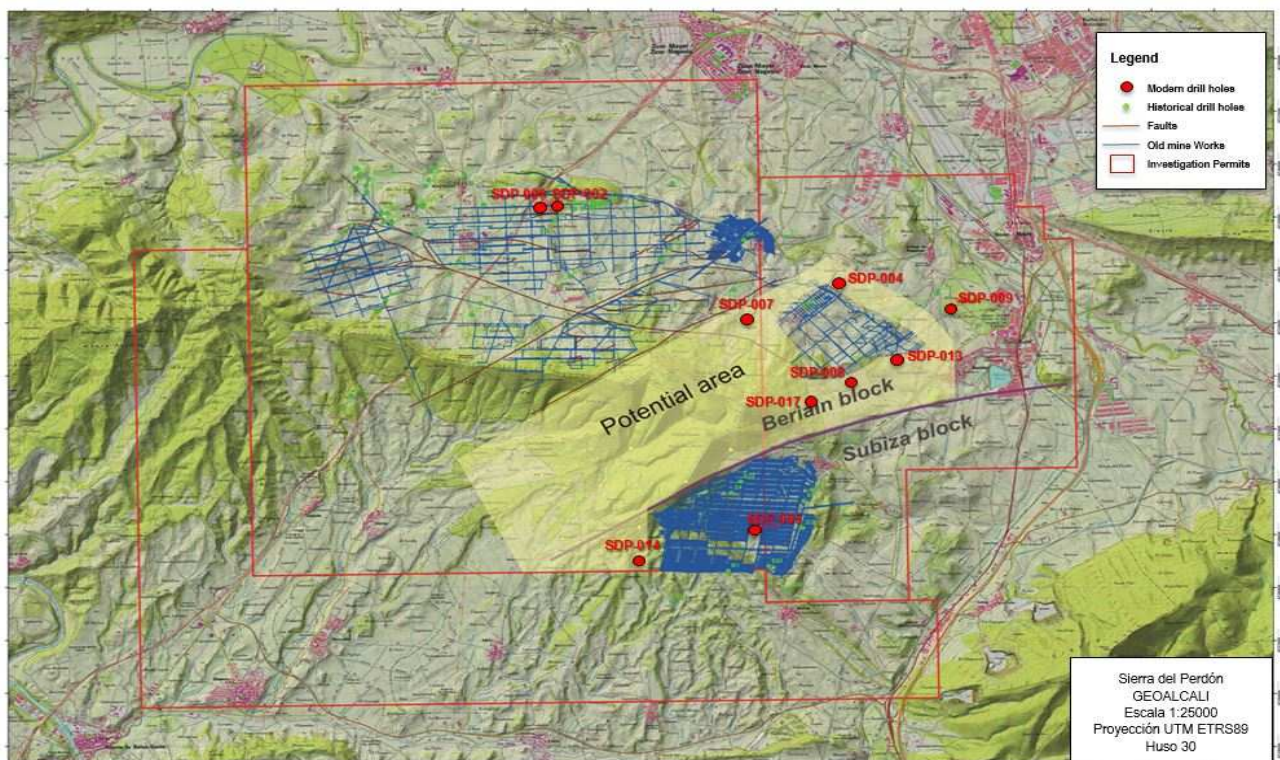


**Table 1: Summary of Highfield's Mineral Interests as at 30 June 2019**

Tenement area/Project	Region	Permit Name	Permit Type	Applied	Granted	Ref #	Area Km <sup>2</sup>	Holder	Structure
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	14/02/2014	35880	40.90	Geoalcali SL	100%
							<b>123.18</b>		
Izaga	Navarra	Osquia	Investigation	28/04/2015	12/01/2017	35970	57.42	Geoalcali SL	100%
							<b>57.42</b>		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	27.30	Geoalcali SL	100%
							<b>27.30</b>		
Muga	Navarra	Goyo (area under concession process)	Investigation	19/07/2011	24/12/2012	35780	14.79	Geoalcali SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	Application in process	35920	8.96	Geoalcali SL	100%
Muga	Aragón	Fronterizo (area under concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	8.70	Geoalcali SL	100%
Muga	Aragón	Fronterizo (area outside concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	1.10	Geoalcali SL	100%
Muga	Aragón	Muga (area under concession process)	Investigation	29/05/2013	07/04/2014	3500	15.08	Geoalcali SL	100%
Muga	Aragón	Muga (area outside concession process)	Investigation	29/05/2013	Application in process	3500	5.32	Geoalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	3524	7.28	Geoalcali SL	100%
							<b>61.23</b>		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18.20	Geoalcali SL	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Application in process	3495/20	16.80	Geoalcali SL	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Application in process	3510	30.24	Geoalcali SL	100%
							<b>65.24</b>		
						<b>Total</b>	<b>334.37</b>		

**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**



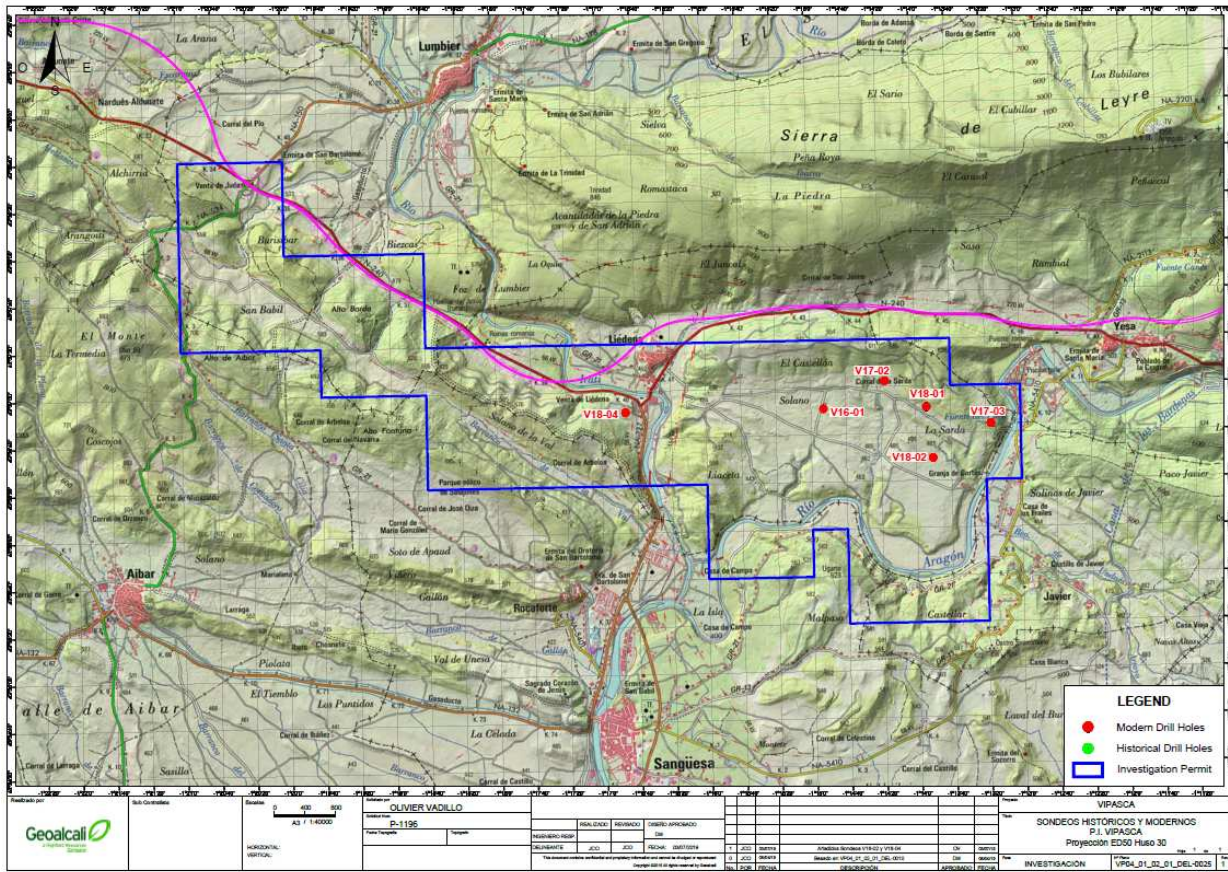


Figure 3: Location of Highfield's Vipasca drill holes

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

HIGHFIELD RESOURCES LIMITED

### ABN

51 153 918 257

### Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,937)	(5,109)
(b) development	-	-
(c) production	-	-
(d) staff costs	(686)	(1,511)
(e) administration and corporate costs	(153)	(456)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(60)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other – GST/VAT refunded	185	774
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,595)</b>	<b>(6,362)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	-

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	-

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	50,188	55,158
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,595)	(6,362)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	1,220	17
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>48,813</b>	<b>48,813</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	48,813	50,188
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>48,813</b>	<b>50,188</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
400
-

Payments for Directors' fees and salaries - \$400k

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

N/A

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		


9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Exploration and evaluation	(7,960)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(592)
9.5 Administration and corporate costs	(242)
9.6 Other – GST/VAT refunded	282
<b>9.7 Total estimated cash outflows</b>	<b>(8,512)</b>

10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-



**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.



Sign here:

(CFO)

Date: 17 July 2019

Print name: Mike Norris

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.