Highfield Resources

ASX Release
30 April 2015

MARCH 2015 – QUARTERLY ACTIVITIES REPORT

Highlights

- Muga Potash Project Definitive Feasibility Study (DFS) completed on time and on budget **confirming high margin, low capex potential**
- DFS confirmed Mineral Reserve of **146m tonnes at 12.73% K_2O**
- **Upgraded Mineral Resource for the Muga-Vipasca Project area of:**
  - **302m tonnes with an average grade of 11.5% K_2O,** an increase in both tonnes and grade (previous MRE: 268m tonnes at 11.2% K_2O, 16 May 2014)
  - Measured and Indicated categories increased by **52% to 239m tonnes at an average grade of 11.3% K_2O**, now accounting for **nearly 80%** of the total MRE
- Highfield remains on track to **commence construction at Muga in Q4 CY2015**
- **60 MVA** of grid electricity secured for Muga, providing for **initial needs and future expansion**
- **Land options** for mine installations and portals secured
- MoU with **Port of Bilbao** signed
- Delivered compelling **Scoping Study for Sierra del Perdón Potash Project** following release of a Maiden Mineral Resource Estimate including:
  - Indicated Mineral Resource estimate of **41.8m tonnes at 10.7% K_20**
  - Inferred Mineral Resource estimate of **40.3m tonnes at 10.5% K_20**
- **Exploration Target** for Sierra del Perdón estimated at**:**
  - **50m to 100m tonnes of sylvinite at 10% to 14% K_20**
  - **100m to 250m tonnes of carnalite at 9% to 13% K_20**
- **233km^2** of additional permit areas applied for to extend the Vipasca Project by around **100km^2** along strike and to create the new Izaga Project

Plans for June Quarter for Muga Project:

- Indicative **term sheets** expected from European commercial banks for **project financing**
- **Tenders** circulated for early site works and decline construction for commencement in Q4
- Completion of **internal appointments** for construction management
- Additional metallurgical testing with a view to **optimising process and enhancing recoveries**
- Finalisation of backfilling studies to enable **detailed mine design work** to commence

Highfield Resources Ltd.
ACN 153 918 257
ASX: HFR

Issued Capital
252.0 million shares
51.5 million performance shares
43.0 million options

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Richard Crookes
Anthony Hall
Owen Hegarty
Pedro Rodriguez

Company Secretary
Donald Stephens

Corporate

- **Senior appointments** to Spanish project management team
- Cash at bank as at 31 March 2015: **$21.2m**

Spanish potash developer Highfield Resources Limited (HFR: ASX) is pleased to report on its activities for the March 2015 Quarter.

Muga Potash Project

Overview

The Company's flagship Muga Potash Project is targeting the relatively shallow sylvinite beds in the Muga Project area that covers an area of around $80km^2$. Mineralisation commences at depths from surface of less than 200m and appears ideal for a relatively low-cost conventional mine accessed via a dual decline as demonstrated in the Company's DFS that was completed in March 2015.

Definitive Feasibility Study and Reserve Estimate

A Definitive Feasibility Study (DFS) for the Muga Potash Project completed during the quarter delivered highlights including:

- Post tax unlevered project NPV_{10} of US$1.42 billion
- Post tax, unlevered IRR of 51.9%
- EBITDA in first full year of production of US$296 million (EBITDA margin of 66%)
- Ore Reserve of 146m tonnes at average grade of 12.73% K_20
- Initial 24-year mine life based solely on reserves
- Proposed mine is a technically robust underground conventional room and pillar operation accessed via twin declines which enhances operational efficiency and reduces risk
- Average yearly, steady state production of 1.123m tonnes of granular K60 potash with operational expenditure ("opex") in full production estimated at US$135/tonne
- Independent expert spot potash prices discounted by 10% for contract pricing and sales and marketing fees delivering a 2017 FOB Vancouver standard product reference price of US$315 / tonne in real terms
- Pre-production capital cost estimated at US$256 million including a 12.5% contingency
- Total capital cost estimated at US$354 million including 12.5% contingency
- Initial construction remains on track to commence in Q4 2015

The DFS confirmed the potential of Muga as a long-life, high-margin operation. It built upon the Pre-Feasibility Study completed in May 2014, and confirmed Muga's technical viability and its ability to deliver robust financial returns under various sensitivities.

The DFS was based on extracting 138m tonnes of the sylvinite Ore Reserve at an average grade of 12.75% K_2O. The 138m tonnes derived from the total Ore Reserve of 146m tonnes of sylvinite at an average diluted grade of 12.73% K_2O calculated by independent Spanish based consultants Consultores Independientes en Gestión de Recursos Naturales SA ("CRN"). CRN is an independent consultant highly experienced with Spanish potash mining.

The Ore Reserve was derived from the high grade sub-set of the Mineral Resource Estimate of 232m tonnes at an average grade of 13.5% K_2O, prepared by independent US-based Agapito Associates, as part of the Muga-Vipasca resource upgrade announced on 24 February 2015.

Updated Mineral Resource Estimate

The overall updated JORC Mineral Resource Estimate for Muga-Vipasca is 302m tonnes with an average grade of 11.5% K_2O, which reflects an increase in both tonnes and grade on the 16 May 2014 estimate of 268m tonnes at 11.2% K_2O. Measured and Indicated categories have increased by 52% to 239m tonnes at an average grade of 11.3% K_2O.

More details can be found in the DFS summary released to the ASX on 30 March 2015 and the resource upgrade announced on 24 February 2015.

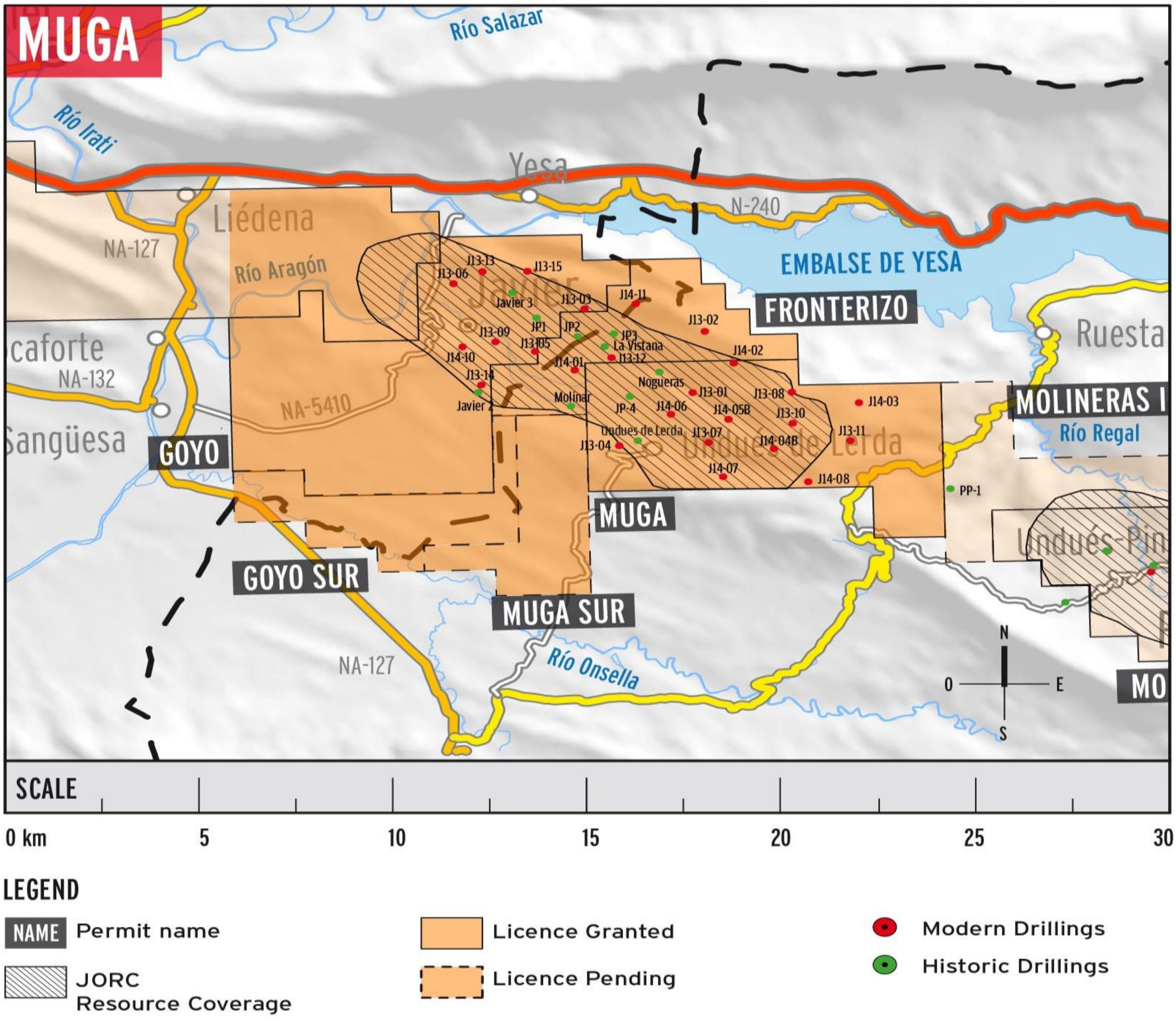

Figure 1: Map of the Muga Potash Project showing JORC Resource estimate and drill holes

Utilities

Highfield received confirmation from Iberdrola Distribución ("Iberdrola") that it would reserve up to 60MVA of electrical supply at its Rocaforte substation near the town of Sangüesa for the Muga mine. The substation is less than 9km from the proposed Muga above-ground installation.

Highfield will use 40MVA of capacity for its initial operations at Muga, with 20MVA reserve capacity to provide expansion options in the future.

Land Options

Post-quarter-end, Highfield signed binding option contracts for the acquisition of land required for the entire surface installations and mine portals for the decline access for the Muga mine. These contracts should allow Highfield to commence construction of infrastructure at Muga in the December quarter of 2015.

The Company continues to discuss alternatives for the additional land required for the long-term tailings facilities, but expects to have these areas secured well in advance of Q2 CY2017 when they will be required as part of operations.

MOU with Port of Bilbao

During the quarter, Highfield signed a Memorandum of Understanding ("MOU") with the Port Authority of Bilbao, 220km by road from Muga and Spain's fourth largest port by total tonnage handled in 2013.

The MOU confirmed the availability of 25,000m^2 of wharf for the construction of dedicated facilities under either a concession arrangement or preferential availability, together with 200 linear metres of berth and the charging mechanism for shipments up to and above 400,000 tonnes per annum. The target operational date is early 2017.

The MOU with Bilbao port followed a similar arrangement with the Port of Pasajés (San Sebastián) announced in December 2014.

Mine Approvals Process

The Company has been advised that carriage of the mining concession application now sits with the mining department of the central administration in Madrid. The process of community consultation is anticipated to commence in May 2015.

The Company remains confident of being in a position to commence construction in Q4 of the current calendar year.

Current Quarter Priorities

Main priorities for the June Quarter are:

- Receipt of indicative term sheets for project financing from European commercial banks
- Circulating tenders for early site works and decline construction for commencement in Q4
- The completion of internal appointments for construction management
- Continued progression on additional metallurgical testing with a view to optimising process and enhancing recoveries
- The finalisation of backfilling studies to enable detailed mine design work to commence

Sierra del Perdón Potash Project

Overview

Highfield´s 100%-owned Sierra del Perdón Project is located less than 10km from Pamplona and is within 40km of the Company´s flagship Muga Project.

Sierra del Perdón is a brownfield project which has hosted two former operating potash mines. The evaporite was historically mined primarily for sylvinite but also for carnallite, before mine closure in late 1996 due to relatively low potash prices of around US$100/tonne. There is potential for potash exploitation in new, unmined areas in the Sierra del Perdón Project area and for limited additional production from brownfield (adjacent to historically mined) areas.

Scoping Study

Highfield released a Scoping Study for the Sierra del Perdón Project on 20 April 2015. Highlights of the study included:

- Post tax, unlevered NPV_{10} of US$527 million
- Post tax, unlevered IRR of 38.5%
- EBITDA of US$120 million in first full year of production
- Initial 20-year mine life, significant upside with ongoing exploration
- Proposed mine is a decline-accessed conventional, underground, room and pillar operation with flotation circuit processing
- Average yearly, steady state production of approximately 520k tonnes of granular K60 potash with cash operational expenditure in full production estimated at US$155/tonne (including transport costs to target markets)
- Independent expert spot potash prices discounted by 10% for contract pricing and sales and marketing fees delivering a 2017 FOB Vancouver standard product reference price of US$315 / tonne in real terms
- Capital cost estimated at US$233 million, inclusive of a 20% contingency.

The Scoping Study was based on the Mineral Resource Estimate prepared by Agapito Associates, Inc as detailed below.

A summary of the Scoping Study can be found attached to the ASX announcement dated 20 April 2015.

While Highfield is focused on developing the Muga project, Sierra del Perdón appears to be a strong second project.

JORC Mineral Resource Estimate

Independent geology and mining consultant, Agapito Associates Inc, prepared a JORC maiden resource estimate on Sierra del Perdón during the quarter, delivering:

- Indicated Mineral Resource estimate of 41.8m tonnes at 10.7% K_2O
- Inferred Mineral Resource estimate of 40.3m tonnes at 10.5% K_2O

The Company also announced an Exploration Target estimated at:

- 50m to 100m tonnes of sylvinite at 10% to 14% K2O
- 100m to 250m tonnes of carnalite at 9% to 13% K2O

Table 1 - Sierra del Perdón JORC Mineral Resource Estimate

(effective date 22 March 2015)

Potash Bed	Average Bed Thickness (m)	Tonnes In-Place (Mt)	K_2O (wt %)	Carnallite ($KCl{\cdot}MgCl_2{\cdot}6H_2O$) (wt %)	Sylvite (KCl) (wt %)	Insolubles (wt %)	In-Place Bulk Density (t/m^3)
INDICATED							
Upper Carnallite	1.6	16.5	8.9	47.4	1.6	12.4	1.90
Lower Carnallite	2.8	18.0	10.9	47.3	4.6	9.0	1.90
Sylvinite	2.5	7.3	14.6	1.3	22.7	11.1	2.12
		41.8	**10.7**	**39.4**	**6.5**	**10.7**	**1.94**
INFERRED							
Upper Carnallite	1.6	18.6	8.9	45.7	1.9	12.4	1.91
Lower Carnallite	2.8	13.2	10.7	47.6	4.2	9.0	1.90
Sylvinite	2.2	8.5	13.7	1.3	21.4	10.6	2.12
		40.3	**10.5**	**37.0**	**6.7**	**10.9**	**1.95**

Notes:

Potash mineralization bulk density varies by carnallite, sylvite, halite, and insolubles fractions ranging from 1.6 to 2.2 t/m ^{3}.

The resource estimate does not include any out-of-bed dilution.

Resource cut offs: (a) true thickness ≥ 1.5m: grade cutoff ≥ 8.0%K_2O, or (b) true thickness < 1.5m: grade-thickness cutoff ≥ 12.0%K_2O-m.

Resource reduced by 15.0% allowance for unknown geologic anomalies within resource footprint.

Indicated Resource—potash meeting cut off criteria located between 0m and 1,000m of a modern exploration core hole with assays, except where otherwise limited by geologic or mining boundaries.

Inferred Resource—potash meeting cut off criteria located between 1,000m and 2,000m radius of a modern exploration core hole with assays or within 2,000m of an historical exploration core hole, except where otherwise limited by geologic or mining boundaries.

The Mineral Resource was estimated using a computer 3D gridded-seam geologic (block) model constructed with Mintec Inc. MineSight 3D© v9.0 software. Historical and modern data for the property were reviewed by the CPs for quality and completeness. Data used in the model included historic and modern drill hole logs and assays, historic and modern interpretations of 2D seismic surveys, surface topography in the form of a digital elevation model (DEM), permit boundary lines, historic resource analysis, historic geological surface mapping, and historical mining records from the Potasas de Navarra and Potasas de Subiza mines.

Exploration Target

The SdP Exploration Target comprises 23 exploration core holes covering an area of approximately 44km^2, illustrated in **Figure 2**. The total Exploration Target (**Table 2**) is estimated to contain between 100 and 250 million tonnes of potash in the carnallite beds (CU and CL) ranging in average grade from 9 to 13% K_2O, and between 50 and 100Mt of potash in the sylvinite bed (SYL) ranging in average grade from 10 to 14% K_2O. Approximately half of the carnallite Exploration Target in the CU and CL beds is estimated to overlie old workings of the Potasas de Navarra and Potasas de Subiza mines in the SYL bed. For more detail refer to the ASX Announcement dated 7 April 2015.

Table 2 - Sierra del Perdón JORC Exploration Target

(effective date 17 March 2015)

Potash Beds	Depth Range (m)	Tonnage (Mt)	Average K_2O (wt %)
Carnallite	100 – 1,400	100 – 250	9 – 13
Sylvinite	*Same*	50 – 100	10 – 14
Total		150 – 350	

Notes:
m = meters, Mt = million tonnes.
Sylvinite is a mechanical mixture of sylvite (KCl) and halite (NaCl).
Carnallite refers to a mechanical mixture predominantly of carnallite ($KCl \cdot MgCl_2 \cdot 6H_2O$) and halite (NaCl).
Carnallite occurs in up to two separate beds. Sylvinite occurs in one bed.
Approximately 50% of the carnallite target overlies historical mine workings in the sylvinite bed.
Target cutoffs: (a) bed true thickness ≥ 1.5m: grade cutoff ≥ 8.0%K_2O, or (b) true thickness < 1.5m: grade-thickness cutoff ≥ 12.0%K_2O-m.

Additional drilling is recommended in the Sierra del Perdón area and up to five holes are proposed to be drilled in 2015. Potash beds CU, CL and SYL are targeting in upcoming drilling, with depths expected to range from 100m to 1400m.

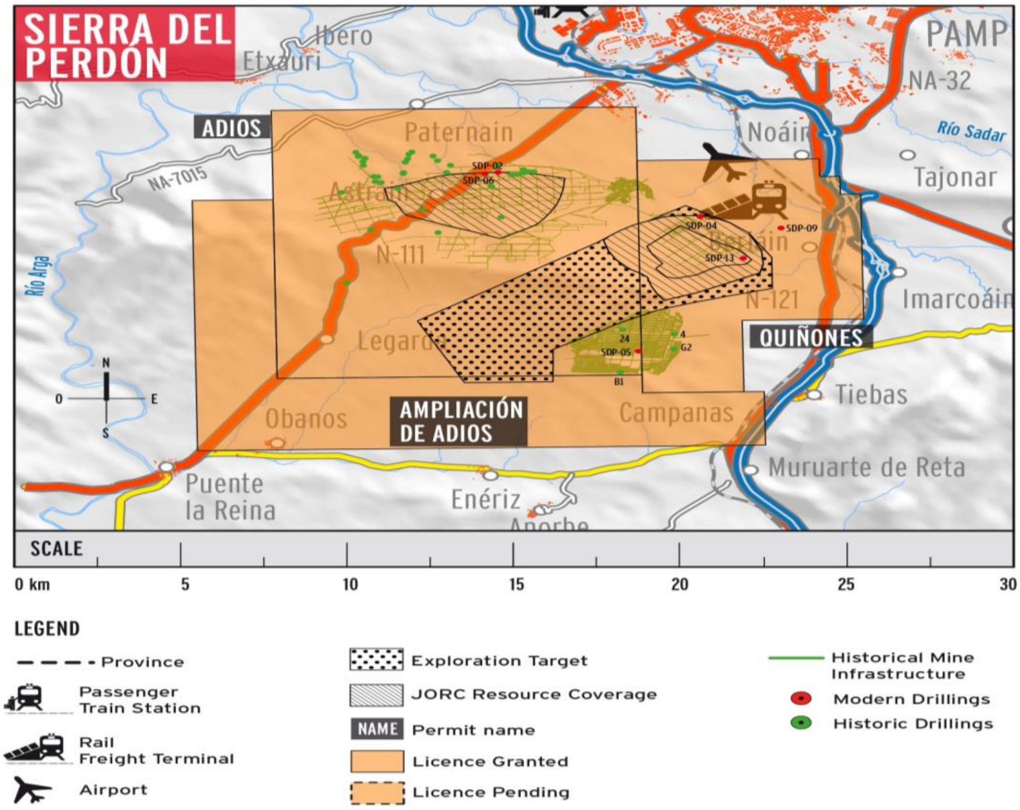

Figure 2: Sierra del Perdón Project map showing historical mine workings, drill holes, JORC Resource estimate and Exploration Target

Pintano Potash Project

Overview

Highfield´s 100%-owned Pintano Project abuts the Muga Project and covers an area of 65km². Depths from surface to mineralisation commence at around 500m. The Company is building on substantial historical potash exploration information that includes seven drill holes and 10 seismic profiles completed in the late 1980s.

There was limited activity on the Pintano Project in the Quarter given the Company’s focus on the Muga Project.

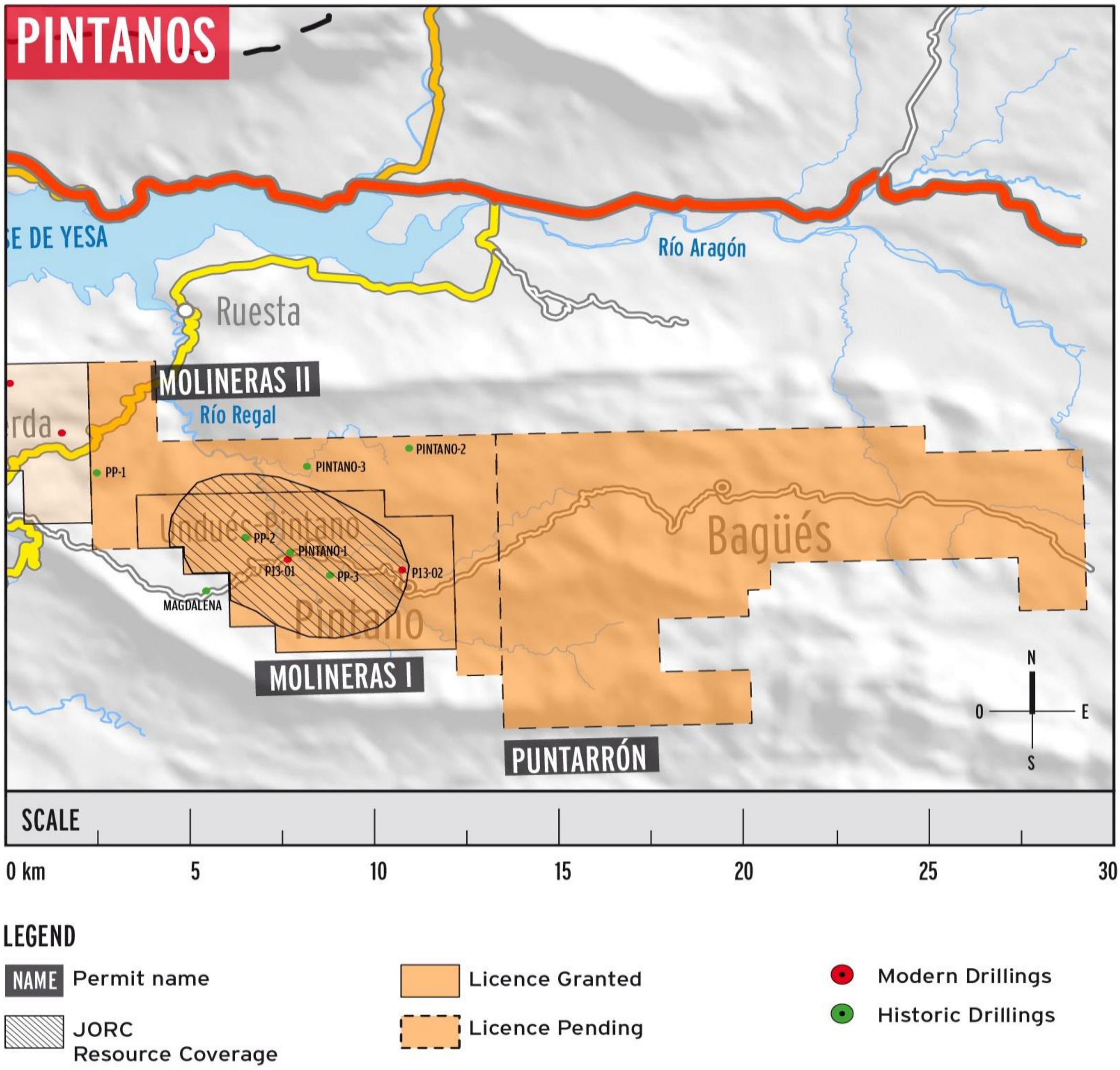

Figure 3: Pintano Project area showing potash exploration drill holes and JORC Resource estimate

Vipasca Potash Project

Overview

The Vipasca Project area includes the majority of the Vipasca permit, the entire Borneau permit and half of the Osquia permit. The focus is on the deeper higher-grade potash mineralisation that occurs in the P1 and P2 potash bed in the Muga sub-basin that runs along strike to the north-west into the Vipasca permit area.

New Permits

On 27 April 2015, the Company applied for the Borneau and Osquia Investigation Permits with a view to extending the Vipasca Project to the north-west.

The Borneau Investigation Permit covers an area of 78km^2, whilst the Osquia Investigation Permit covers an area of 79km^2.

Geophysical Studies

Historical studies show a lack of structures that could limit the continuity of the basin towards this area. France-based mining engineering firm IGT is currently completing both gravimetry and time domain electromagnetic (TDEM) campaigns in the eastern section of the Vipasca Investigation Permit area that is expected to show the continuity of the evaporitic unit into the north west. The results are expected in early May 2015.

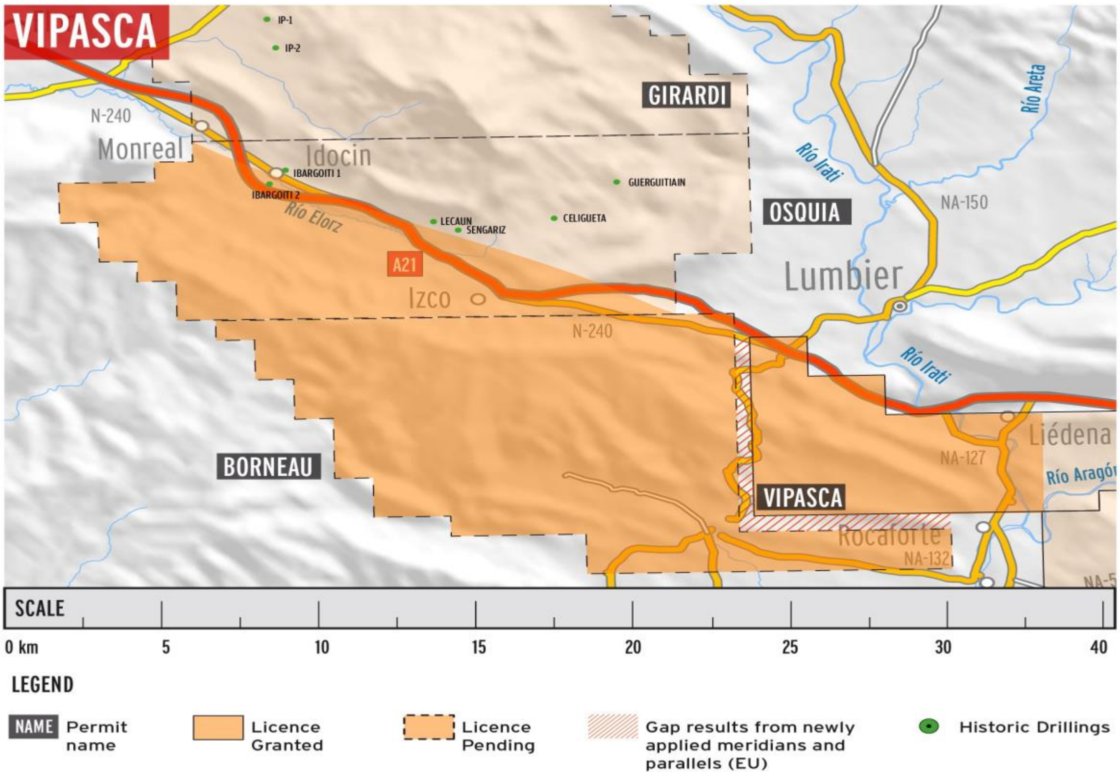

Figure 4: Vipasca Project map

Izaga Potash Project

Overview

The Izaga Project covers an area of over 100km^2, where historic drill holes and 2D seismic show a relatively continuous evaporite with drill hole intersects containing potash. With further positive exploration results the Project could display similar attributes to the Muga Project.

New Permits

On 27 April 2015 the Company applied for the Girardi Investigation Permit, which covers an area of 76km^2. This permit adjoins the northern area of the Osquia Permit to complete the new Izaga Potash Project. The Project is located in a syncline structure abutting the northern extent of the expanded Vipasca Project.

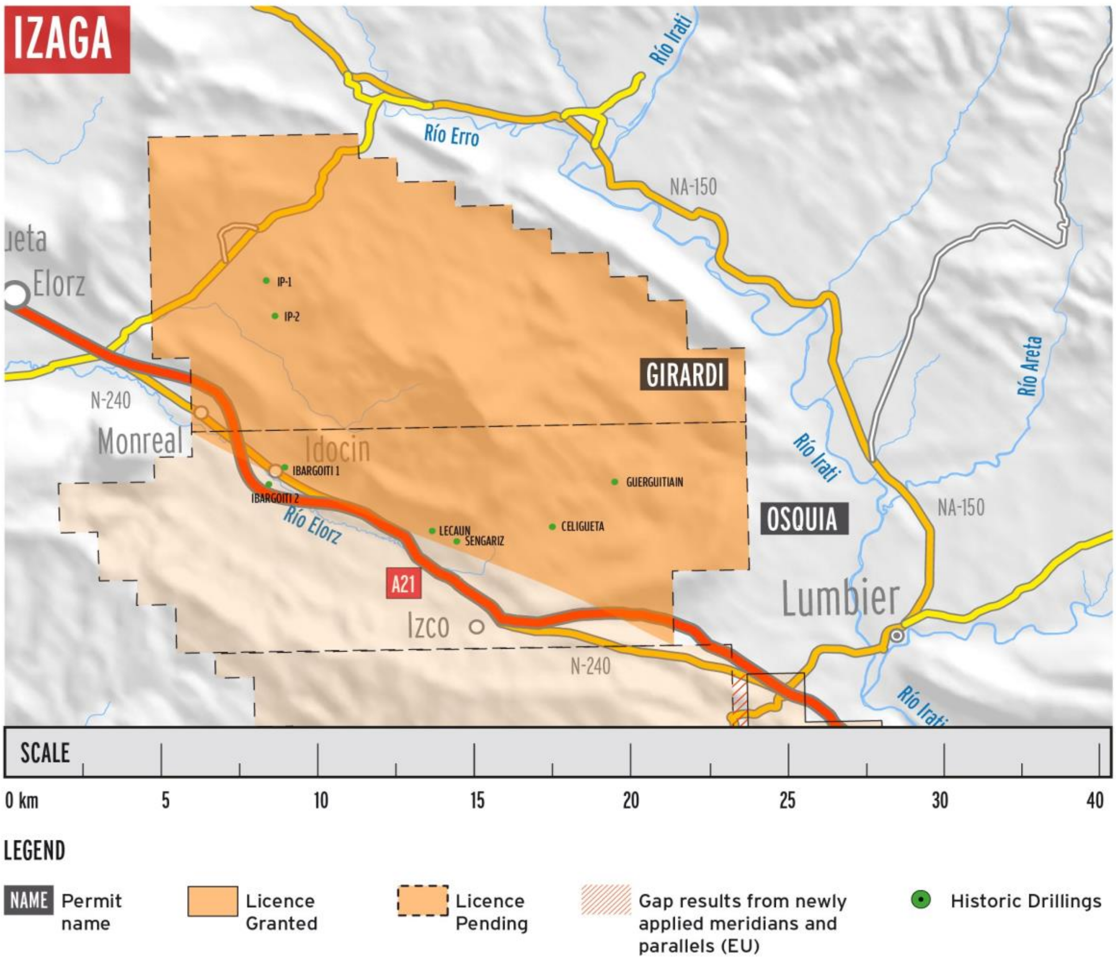

Figure 5: Izaga Project map showing historical drill holes

Corporate

Senior Appointments

During the quarter, Highfield appointed Mr Alfredo L. Menéndez Diaz and Mr. Michael X. Schlumpberger to its Spanish project team. They will focus on the construction and ongoing operations of the Muga project.

Mr. Menéndez Diaz has been appointed as Executive General Manager – Construction, and will have direct responsibility for the construction of Muga.

Mr. Menéndez Diaz has more than 30 years' operational mining experience, the majority of which has been gained in Spain, most recently as General Manager of SADIM, one of the largest mining engineering consultancies in Spain.

Mr. Schlumpberger has been appointed as Executive General Manager – Operations. He will be responsible for operational interface during the design and construction phase of the Project, and will have direct responsibility for the ongoing operations at Muga when construction is complete.

Mr. Schlumpberger has nearly 30 years' mining experience including more than 21 years in various roles with Potash Corporation of Saskatchewan ("PotashCorp"). During this time he was Mine General Superintendent at Lanigan Potash Mine, where he managed its expansion to increase production by nearly 50%.

Geoalcali Foundation Projects

The Foundation widened its collaboration with Aspace, a highly respected Spanish Foundation dedicated to helping people with special needs. During the Quarter the Foundation contributed to a project to improve the safety for operators of a conveyer belt in the Ecointegra recycling plant in Navarra.

The Foundation also supported various cultural events in the regions of Sangüesa in Navarra and Sos del Rey Católico in Aragón.

The Foundation's OrganiK project to trial the effect of potash application on various crops of local significance in collaboration with the charitable organisation, Josenea, is progressing well with planting anticipated to occur in May 2015.

Conversion of Class A Performance Shares

The Class A Performance Shares that were issued to the vendors of the Spanish projects, KCL Resources Ltd shareholders, were converted to ordinary shares during the Quarter as a result of the following milestone being achieved at the Company's Muga-Vipasca Project:

> …delineation of a JORC Code (or equivalent) Compliant Indicated Mineral Resource of:
>
> (i) 150 million tonnes of potash at or above 13% K_2O by content; or
>
> (ii) 125 million tonnes of potash at or above 14% K_2O by content; or
>
> (iii) 100 million tonnes of potash at or above 15% K_2O by content; or
>
> (iv) 75 million tonnes of potash at or above 17% K_2O by content; or
>
> (v) 50 million tonnes of potash at or above 20% K_2O by content

Highfield converted all 50 million Class A Performance Shares, on a one-for-one basis, to ordinary shares.

In addition to the conversion of the Class A Performance Shares, the Company allotted 1.5 million ordinary shares under the terms of the corporate advisory agreement relating to the acquisition of its four Spanish potash projects.

Following this conversion and allotment, the Company has 252 million shares on issue.

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Table 3: Summary of Highfield´s Mineral Interests as at 30 April 2015

Project	Region	Permit Name	Permit Type	Applied	Granted	Ref #	Area Km^2	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	7/08/2012	35760	32.48	Geoalcali SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	7/08/2012	35770	75.60	Geoalcali SL	100%
Sierra del Perdón	Navarra	Amplicación de A	Investigation	26/10/2012	14/02/2014	35880	40.90	Geoalcali SL	100%
							148.98		
Muga	Navarra	Goyo	Investigation	19/07/2011	24/12/2012	35780	27.72	Geoalcali SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	Pending	Pending	8.96	Geoalcali SL	100%
Muga	Aragón	Fronterizo	Investigation	21/06/2012	5/02/2014	Z-3502/N-3585	9.80	Geoalcali SL	100%
Muga	Aragón	Muga	Investigation	29/05/2013	7/04/2014	3500	20.40	Geoalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	3524	7.28	Geoalcali SL	100%
							74.16		
Vipasca (Muga)*	Navarra	Vipasca	Investigation	6/11/2013	11/12/2014	35900	38.92	Geoalcali SL	100%
Vipasca (Izaga)*	Navarra	Osquia	Investigation	28/04/2015	Pending	Pending	79.00	Geoalcali SL	100%
Vipasca	Navarra	Borneau	Investigation	28/04/2015	Pending	Pending	78.00	Geoalcali SL	100%
							195.92		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	6/03/2014	3495/10	18.20	Geoalcali SL	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Pending	3495/20	16.80	Geoalcali SL	100%
Pintanos	Aragón	Puntarrón	Investigation	7/05/2014	Pending	3509	30.24	Geoalcali SL	100%
							65.24		
Izaga	Navarra	Girardi	Investigation	28/04/2015	Pending	Pending	76.00	Geoalcali SL	100%
							76.00		
* Permit includes areas in two Projects						**Total**	**560.30**		

Location: All permits are located in Spain.

Holder: Geoalcali SL is a 100%-owned Spanish subsidiary of Highfield Resources Limited.

Changes: Three new permits were applied for: Osquia, Borneau and Girardi. The Puntarrón Exploration Permit was officially replaced by the Puntarrón Investigation Permit application.

About Highfield Resources

Highfield Resources is an ASX-listed potash company with five 100%-owned projects located in Spain.

Highfield's Muga, Vipasca, Pintano, Izaga and Sierra del Perdón potash projects are located in the Ebro potash producing basin in Northern Spain covering a project area of over 550km^2. The Sierra del Perdón project includes two former operating mines.

The Company has recently completed a definitive feasibility study for its flagship Muga Project and is working towards commencing construction in the fourth quarter of 2015.

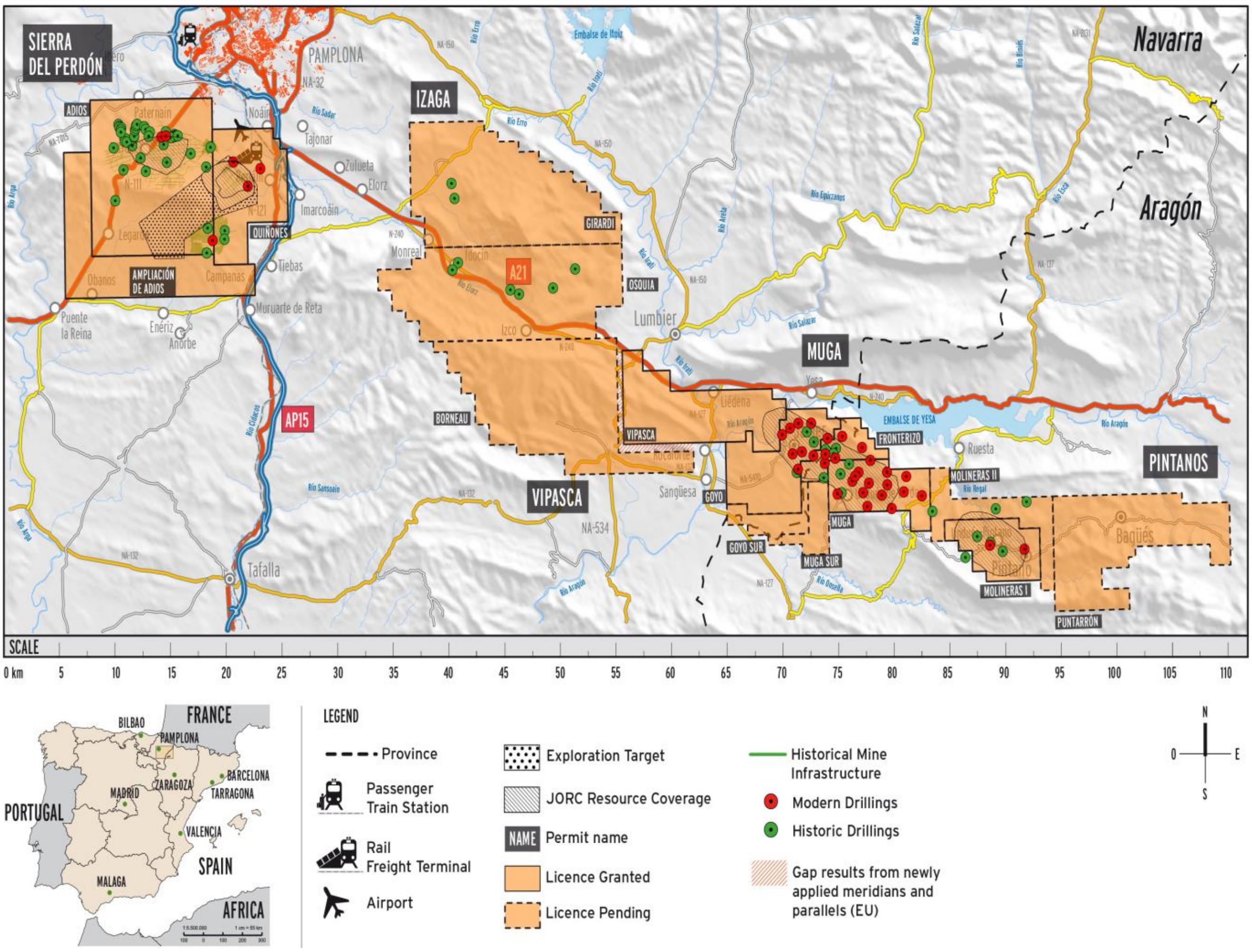

Figure 6: Location of Highfield´s Muga, Vipasca, Pintano, Izaga and Sierra del Perdón Projects in Northern Spain