



ASX: HFR

21 October 2021

## 30 SEPTEMBER 2021 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

- Pivotal milestone achieved with Mining Concessions granted for all three areas that comprise the Muga Project, (Fronterizo, Muga and Goyo) in July.
- At an event at the Muga mine site the President of Navarra highlights that the Muga Mine is important for the economic recovery of the region.
- Successful completion of an A\$18.1 million raise in September (A\$15 million through an oversubscribed placement and a further A\$3.1 million via a Share Purchase Plan).
- Capital raise proceeds will advance the Project and finalise purchase contracts of outstanding long-lead items.
- Additional purchase contract signed by the Company, reaching 85% of the equipment needed for the process plant. Another important step in progressing the development of the Muga Mine.
- Secured Muga's pre-production logistics strategy with the signing of agreements with two local Spanish ports - Port of Bilbao and the Port of Pasajes.
- In parallel with these activities, and together with Endeavour Financial, the Company progressed its review of financing options, for both debt and other sources of capital, including strategic investors.
- Cash at bank as at 30 September 2021 was: A\$26.5m.

### Highfield Resources CEO, Mr Salazar, said:

*"This quarter has been key for Highfield ensuring the Muga Mine progresses to construction as quickly as possible with two major events, the Mine received its Mining Concession and the Company successfully raised A\$18.1 million. Both are testament to the support the Company has locally and from our shareholders."*

#### Highfields Resources

ACN 153 918 257

ASX: HFR

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

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#### Registered Office

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## ACTIVITIES IN THE MUGA PROJECT DURING THE QUARTER

### Overview

Highfield Resources (“Highfield” or “the Company”) flagship Muga Project (“Muga” or “the Project”) is targeting relatively shallow sylvinite beds, across approximately 60km<sup>2</sup> located in the Provinces of Navarra and Aragón. 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.

### Muga Project: Permitting Update

As announced during at the start of the quarter (refer ASX release 5 July 2021, “Muga Project Receives Mining Concession”), the Company was granted the Mining Concessions for three areas that comprise the Muga Project, namely Fronterizo, Muga and Goyo.

Following the receipt of the Mining Concessions the Company held an official event at the mine site (refer ASX release 19 July 2021, “Muga Mine Site Event”) attended by the President of Navarra (see Figure 3) and distinguished representatives from the authorities in Navarra and Aragón, as well as representatives from the local community and Town Halls in the Muga area together with representatives of political parties in the region. At the event, the President of Navarra, Ms Maria Chivite, stated that the Muga Mine is important for the economic recovery of the region.

The Company continued to progress the local town hall construction licences. The submissions have been already made to both the townhalls of Sanguesa (Navarra) and Undués de Lerda (Aragón) to request the construction licences for the processing plant and the mine gate respectively.

### Muga Project: Engineering and Construction Update

As announced during the quarter, Highfield continues to advance Muga to construction readiness (refer ASX release 21 September 2021, “Purchase Contract Signed for Process Plant Equipment”). The Company signed a purchase contract with Weir Minerals for the acquisition of Screens and Cyclones. With the signing of this purchase contract, 85% of the planned equipment needed for the plant has now been contracted.

The remaining 15%, which includes cross-flow separators, dryers, thickeners and flotation columns, is expected to be formalised in the December quarter of 2021.

The Company continues to progress the negotiation of the construction agreement and the Project implementation with its construction partner, Acciona.

### Muga Project Sales and Marketing Update

During the quarter, Highfield continued to formalise its sales, marketing and logistics strategy by signing agreements with the Port of Pasajes (refer ASX release 2 August 2021, “Updated MoU Signed with Port of Pasajes”) and with the Port of Bilbao (refer ASX release 30 August 2021, “ MoU Signed with Port of Bilbao”). These agreements build on already signed non-binding MOUs for sales representing more than Muga’s full Phase-1 production capacity for potash and salt.



## Muga Project Financing

Following the Mining Concession award, the Company raised A\$15 million via a single-tranche placement (refer ASX release 9 August 2021, "Successful Equity Raise"). The Placement was oversubscribed with strong support from existing and new institutional investors. Following the Placement, the Company also successfully raised A\$3 million through a Share Purchase Plan ("SPP") that was offered to all eligible retail shareholders (refer ASX release 9 September 2021, "Successful Completion of Share Purchase Plan").

Proceeds of the Placement and the SPP provide a runway to pursue project finance and other strategic alternatives to complete the construction funding and will be used to fund pre-construction activities at the Muga Potash Project.

The Company, in conjunction with Endeavour Financial, has now finalised the preparation of the technical, social, environmental and market due diligence documentation and the project financing is advancing.

The receipt of the Mining Concession has also provided further impetus to the Company's engagement with its key brokers and strategic partners in the context of reviewing alternative strategic financing options, prior to the start of construction works.

## Corporate

With effect from 28 July 2021, Spanish born Highfield Chief Executive Officer, Mr Ignacio Salazar, joined the Highfield Resources Limited Board as Managing Director (refer ASX release 28 July 2021, "Highfield Resources CEO Appointed as Managing Director"). As CEO and Managing Director, Mr Salazar continues to be based in the Company's Head Office in Pamplona, Spain to lead the construction and associated pre-requisites of Phase 1 of the Company's Muga Project.

On 27 September 2021, non-executive Director Mr Querub stepped down from the Board to pursue his other professional interests (refer ASX release 27 September 2021, "Director Retirement"). Mr Querub joined the Board in April 2018 and provided a valued contribution to the Company.

## Exploration

There were no significant developments during the quarter in the Pintanos and Sierra del Perdón tenement areas.

The current priority for the Company is the development of Muga.

## Cash Position

As at 30 September 2021, the Company had A\$26.5 million in cash. The main payments during the quarter were made to advance remaining purchase contracts for plant equipment (which involves the engineering of this equipment to complement the plant design), land purchases and financing fees as well as G&A expenditure.



## Payments to Related Parties

As outlined in section 6 of the attached Appendix 5B, payments to related parties of the entity and their associates, totalling A\$254,000, relate to fees and salaries paid to Directors during the quarter.

## Outlook and Strategy - Plans for December Quarter 2021

Preparation for the Construction phase:

- Update of the Muga Reserves statement
- Update of the feasibility study of the Muga project
- Finalise construction agreement with our construction partner, Acciona.
- Finalise strategy for the debt and other sources of capital and equity financing for Muga with shareholders, brokers, investors, banks and other financial parties in collaboration with Endeavour Financial.
- Sign purchase contracts for the remainder of the process plant equipment needed.
- Continue to progress construction licences with town-halls (local councils) in Navarra (Sanguesa) and Aragón (Undués).

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

-ENDS-

For more information:

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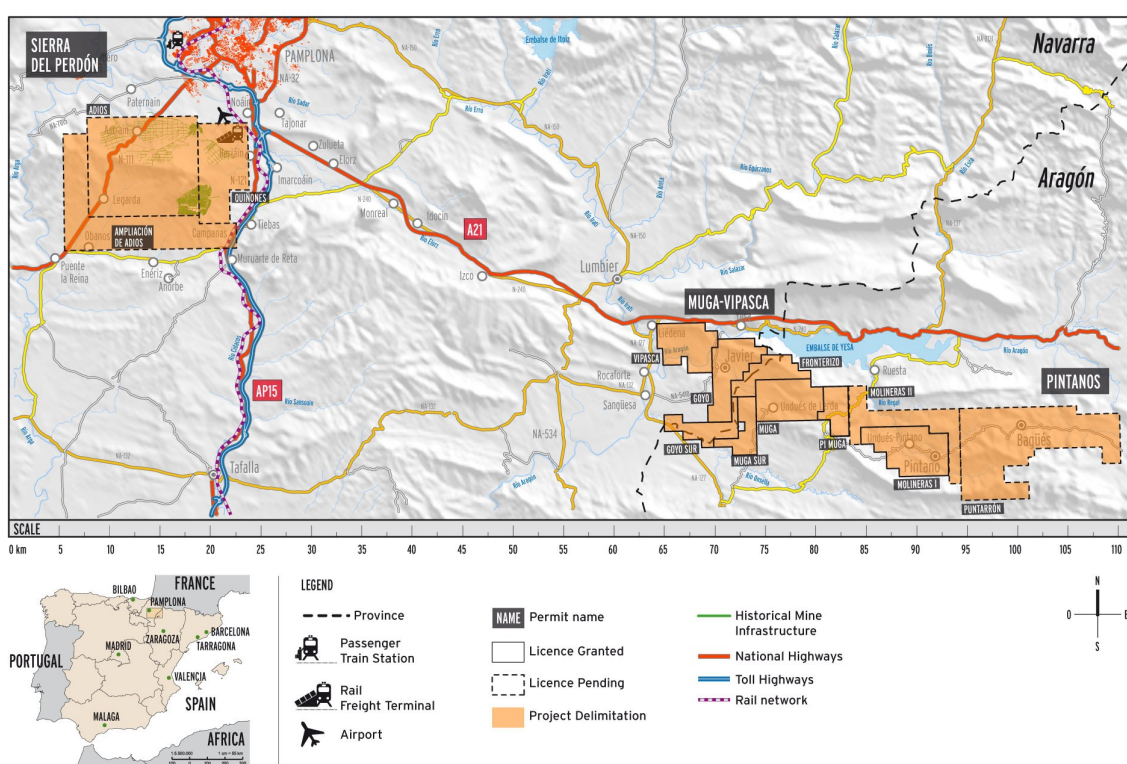


## ABOUT HIGHFIELD RESOURCES

Highfield Resources is an ASX listed potash company which focuses on the construction of its flagship low cost, low capex Muga Project in Spain having been granted the Mining Concession in July 2021.

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

Highfield's potash tenements (Muga-Vipasca, Pintanos, and Sierra del Perdón) are located in the Ebro potash producing basin in Northern Spain, covering an area of around 262km<sup>2</sup>.



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



*Figure 2: Artist impression of the Muga project*



*Figure 3: The President of Navarra (María Chivite) discussing the Muga Mine on site with Highfield CEO (Ignacio Salazar) and the Minister of Economic Development of Navarra (Mikel Irujo).*





Figure 3: Location of Sierra del Perdón drill holes

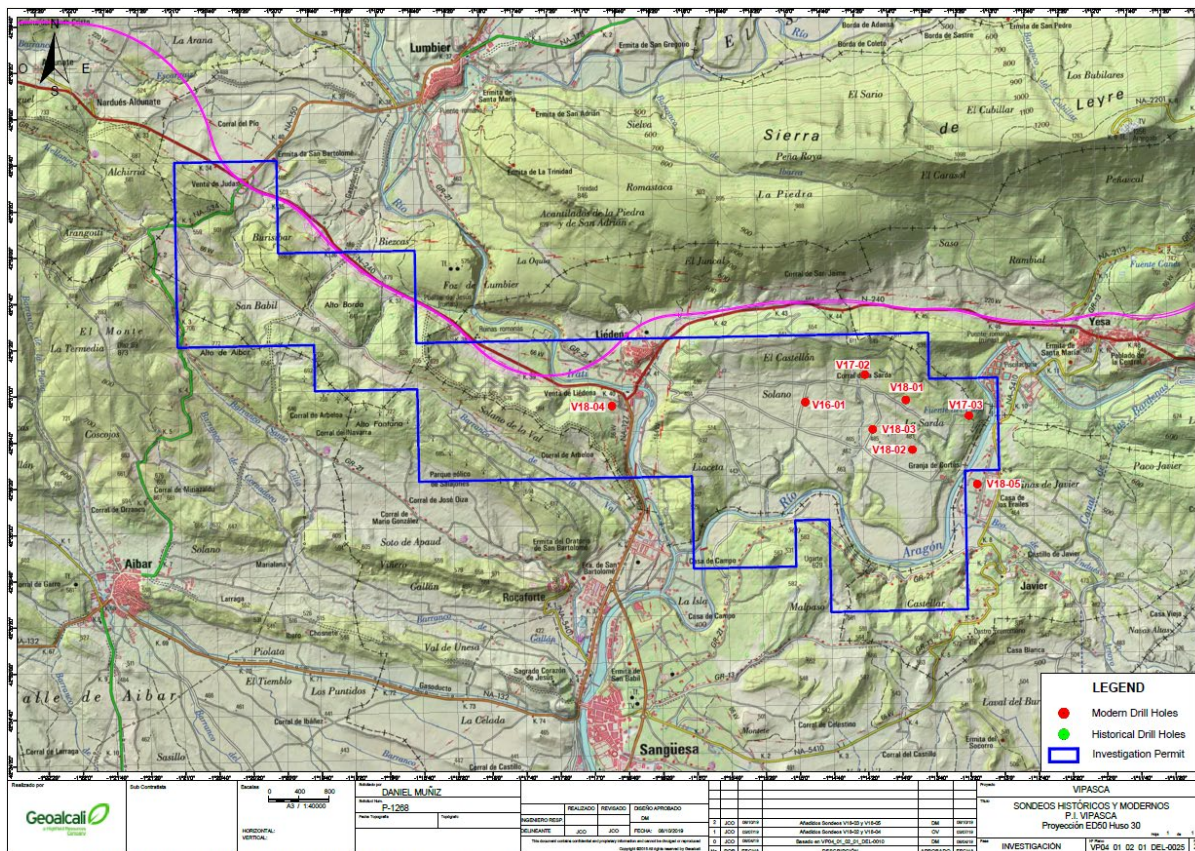


Figure 4: Location of Vipasca drill holes



## COMPETENT PERSONS STATEMENT FOR MUGA POTASH PROJECT

This report was approved by Mr Ignacio Salazar, CEO 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 Ignacio Salazar, CEO 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.

## 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")

30 September 2021

| Consolidated statement of cash flows |                                                       | Current quarter<br>\$A'000 | Year to date<br>(9 months)<br>\$A'000 |
|--------------------------------------|-------------------------------------------------------|----------------------------|---------------------------------------|
| <b>1.</b>                            | <b>Cash flows from operating activities</b>           |                            |                                       |
| 1.1                                  | Receipts from customers                               |                            |                                       |
| 1.2                                  | Payments for                                          |                            |                                       |
|                                      | (a) exploration & evaluation (if expensed)            | (14)                       | (148)                                 |
|                                      | (b) development                                       |                            |                                       |
|                                      | (c) production                                        |                            |                                       |
|                                      | (d) staff costs                                       | (888)                      | (1,850)                               |
|                                      | (e) administration and corporate costs                | (565)                      | (1,699)                               |
| 1.3                                  | Dividends received (see note 3)                       |                            |                                       |
| 1.4                                  | Interest received                                     |                            |                                       |
| 1.5                                  | Interest and other costs of finance paid              | (10)                       | (31)                                  |
| 1.6                                  | Income taxes paid                                     |                            |                                       |
| 1.7                                  | Government grants and tax incentives                  |                            |                                       |
| 1.8                                  | Other (GST/VAT refunded)                              | 100                        | 703                                   |
| <b>1.9</b>                           | <b>Net cash from / (used in) operating activities</b> | <b>(1,377)</b>             | <b>(3,025)</b>                        |

|           |                                               |         |         |
|-----------|-----------------------------------------------|---------|---------|
| <b>2.</b> | <b>Cash flows from investing activities</b>   |         |         |
| 2.1       | Payments to acquire:                          |         |         |
|           | (a) entities                                  |         |         |
|           | (b) tenements                                 |         |         |
|           | (c) property, plant and equipment             | -       | (2)     |
|           | (d) exploration & evaluation (if capitalised) | (2,316) | (8,058) |
|           | (e) investments                               |         |         |
|           | (f) other non-current assets                  |         |         |

| <b>Consolidated statement of cash flows</b> |                                                       | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(9 months)<br/>\$A'000</b> |
|---------------------------------------------|-------------------------------------------------------|------------------------------------|------------------------------------------------|
| 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)                   |                                    |                                                |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>(2,316)</b>                     | <b>(8,060)</b>                                 |

|             |                                                                                         |               |               |
|-------------|-----------------------------------------------------------------------------------------|---------------|---------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                             |               |               |
| 3.1         | Proceeds from issues of equity securities (excluding convertible debt securities)       | 18,112        | 18,112        |
| 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 | (825)         | (825)         |
| 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>17,287</b> | <b>17,287</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                             | 12,640  | 20,202  |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (1,377) | (3,025) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | (2,316) | (8,060) |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | 17,287  | 17,287  |

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows |                                                   | Current quarter<br>\$A'000 | Year to date<br>(9 months)<br>\$A'000 |
|--------------------------------------|---------------------------------------------------|----------------------------|---------------------------------------|
| 4.5                                  | Effect of movement in exchange rates on cash held | 246                        | 76                                    |
| 4.6                                  | Cash and cash equivalents at end of period        | 26,480                     | 26,480                                |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------|
| 5.1 | Bank balances                                                                                                                                                        | 26,480                     | 12,640                      |
| 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)                                                                                            | 26,480                     | 12,640                      |

**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**

254

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. <b>Financing facilities</b>                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                             | <b>Total facility amount at quarter end<br/>\$A'000</b> | <b>Amount drawn at quarter end<br/>\$A'000</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------------------------|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.<br/>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                                                                                                                                                                                                       | <b>Total financing facilities</b>                                                                                                                                                                                                                                                                                                           |                                                         |                                                |
| 7.5                                                                                                                                                                                                       | <b>Unused financing facilities available at quarter end</b>                                                                                                                                                                                                                                                                                 |                                                         |                                                |
| 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. <b>Estimated cash available for future operating activities</b> |                                                                                                                                                                                                                  | <b>\$A'000</b> |
|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 8.1                                                                | Net cash from / (used in) operating activities (Item 1.9)                                                                                                                                                        | (1,377)        |
| 8.2                                                                | Capitalised exploration & evaluation (Item 2.1(d))                                                                                                                                                               | (2,316)        |
| 8.3                                                                | Total relevant outgoings (Item 8.1 + Item 8.2)                                                                                                                                                                   | (3,693)        |
| 8.4                                                                | Cash and cash equivalents at quarter end (Item 4.6)                                                                                                                                                              | 26,480         |
| 8.5                                                                | Unused finance facilities available at quarter end (Item 7.5)                                                                                                                                                    |                |
| 8.6                                                                | Total available funding (Item 8.4 + Item 8.5)                                                                                                                                                                    | 26,480         |
| 8.7                                                                | <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>                                                                                                                                    | 7.17           |
| 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: 21 October 2021

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.