

ASX Release
10 May 2018

UPDATE ON MUGA PROJECT AND SIERRA DEL PERDÓN EXPLORATION ACTIVITIES

Highfield Resources (ASX: HFR) (“Highfield” or “the Company”) is pleased to provide an update on the Company’s flagship Muga Potash Project (“Muga” or “the Project”) as well as its Sierra del Perdón project both of which are 100% owned and located in Northern Spain.

Muga Potash Project

- As part of its preparation for construction, the Company is about to commence drilling an incline geotechnical drill hole directly in line with the proposed Muga mine access declines, see Figure 2. The drilling results will provide valuable technical data to optimise the detailed design and subsequent excavation of the mine’s access declines. It will also inform the final selection of machinery required for excavation purposes. Within the next few weeks the Company will also carry out further shallow depth geotechnical drilling in the surface facilities area to gather additional information for the foundations and structural design of buildings.
- In addition, hydrogeological drilling and detailed water pumping tests will also commence in the next few weeks. These will provide confirmatory data used to determine mine water inflow rates and estimate borehole capacity for water make-up requirements.
- From its offices in Canada and Colombia, Hatch’s engineering teams are completing the basic design work for the revised process plant based upon the recently completed metallurgical testwork programme. This work will result in some modifications to equipment sizing and require the addition of new equipment including a small crystalliser.
- The Company is continuing its construction preparations with the recent award of the conveyor design and construction package to a Spanish company as well as tendering the detailed engineering for other packages of work and updating vendor quotations.
- In parallel with the above process plant work, mining optimisation is continuing. The results of the geotechnical and hydrogeological drilling together with input from various consultants will result in the finalisation of the decline design and mine layout as well as an updated Ore Reserve statement. The first stage of the work is anticipated to be completed in Q3 2018 with the updated Ore Reserve statement to follow in Q4 2018.
- There are a number of modifications and project optimisation activities underway. These will result in a revised capital estimate which will be advised as soon as it is available which is anticipated to be by the end of August 2018. The modifications undergoing review include the bringing forward the backfilling and salt production plants from Phase 2 to Phase 1, both of which will now be implemented as part of Phase 1 production to facilitate salt residue management; additional and revised process plant; allowances for environmental commitments; appointment of a mining contractor; value engineering opportunities; escalation, as well as an increase in contingency allowances.

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ACN 153 918 257

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329.4 million shares

50.81 million options

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- The Company is on track to deliver the Ministry of Food, Fishing and Environment (“MAPAMA”) clarification response document which is due for submission in mid-June 2018. In order to mitigate any potential risk to the timely submission of this document, the Company will apply for the legally available 45 day extension to the MAPAMA timeline, even though there is no current requirement or intention to utilise this extension. This is only a contingency measure at this point in time.

Sierra del Perdón

- The latest exploration drilling programme at Sierra del Perdón commenced on 7 April 2018. The first hole is expected to be completed in June 2018, with the second hole in this programme planned to commence shortly thereafter. The programme is intended to further develop the Company’s Mineral Resources at Sierra del Perdón. **See Figure 3**

For more information:

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About Highfield Resources

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

Highfield's Muga, Vipasca, Pintanos, Izaga and Sierra del Perdón potash projects are located in the Ebro potash producing basin in Northern Spain, covering a project area of more than 550km².

Highfield is awaiting the granting of a positive environmental permit, the award of the mining concession and other permits which will enable it to commence construction of the Mine.

In addition to the existing Muga Project, Highfield also has significant Exploration Targets for an extension to Muga, as well as for the Sierra del Perdón, Vipasca and Pintanos Potash Projects.

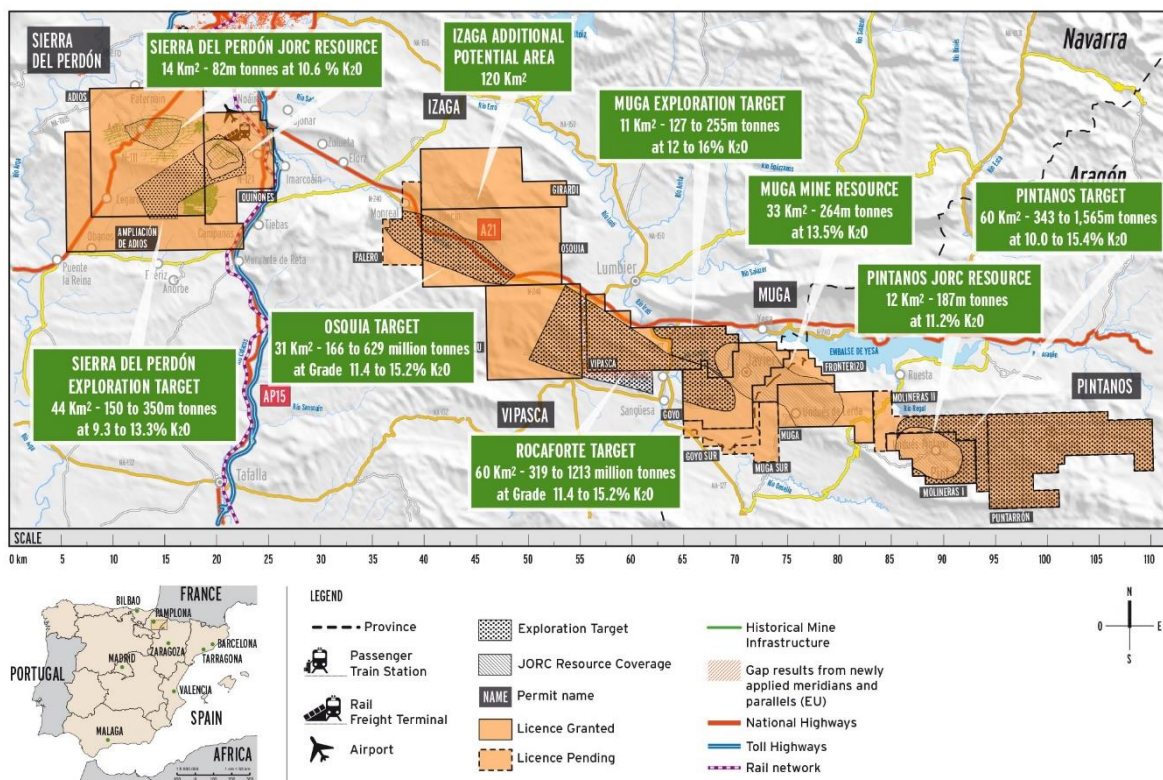


Figure 1: Location of Highfield's Muga, Vipasca, Pintano, Izaga and Sierra del Perdón Projects in Northern Spain*

**The potential quantity and grade of the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource*

Figure 2: Drilling preparation for an incline geotechnical drill hole at Muga mine



Figure 3: Current drill hole SDP017 in Sierra del Perdón

