

ASX Release  
21 December 2020

## MUGA PROJECT UPDATE

### Overview

- The engineering and design of the Muga Project has progressed in line with our internal plan and the Company is ready to issue all necessary documentation to our construction partner. The key long lead items, notably the bolter miner, have already been committed.
- With the appointment of Endeavour Financial as its debt financial advisor, the Company has begun to move forward with its financing strategy.
- The Company is in a position to proceed with the Project as soon as the Mining Concession is granted; there will be no significant new financial commitments until that point.
- Good progress has been made on permitting:
  - The Mining Concession review process was split into five sections by the Administrations. Four out of the five sections have now been reviewed by the Administrations and questions sent to the Company with no relevant new issues raised. The Company has already provided comprehensive and prompt replies on all of these four sections.
  - While restrictions generated by the Spanish Covid-19 crisis are not preventing the Authorities' progress, they have made the process slower than expected. The Authorities have recently informed the Company that they will therefore not be in a position to send their questions on the fifth and final chapter until after year end.
  - However, to expedite the process as much as possible the Company has been advised by the Administrations that they have split the remaining work, with Navarra focusing on reviewing section five, Aragon reviewing the answers submitted by the Company on queries raised during the public exposition and the Authorities in Madrid starting to draft the final Mining Concession text.
- The Project is now well advanced, in line with expectations and it does not require any significant further development until the final stage of the Mining Concession process is completed. On that basis, the Company is planning to undertake additional cash preservation measures to ensure it continues to maintain a healthy cash balance and does not require additional capital until after the Muga Mining Concession is granted.

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

**Issued Capital**  
329.6 million shares  
33.99 million options

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### **Muga Project: Engineering Update**

Highfield Resources (ASX: HFR) (“Highfield” or “the Company”) is pleased to announce that the Company is now ready to issue all relevant engineering documentation to our construction partner.

The key areas covered by the engineering documentation are the design of:

- a) the mine, including the declines to the mineralization;
- b) the processing plant, and urbanization; and
- c) the tailings dewatering and the backfilling systems.

### **Muga Project: Financing Update**

The work on formalising the Company’s debt financing strategy has already started with Endeavour Financial, a leading independent advisor dealing exclusively with the natural resources sector. The aim of this work is to maximise the debt package as part of the overall Muga Project financing strategy.

The Company also continues to engage with key brokers and strategic partners as it prepares to secure the equity portion of the financing at some stage after the receipt of the Mining Concession.

### **Muga Project: Permitting Update**

The Authorities in Aragon, Madrid and Navarra (the “Authorities” or the “Administrations”) started their detailed review and analysis during the year. Following the public exposition in August 2020, the Authorities split the Mining Concession review into five sections covering all aspects of the Project.

The Company has already replied to the Administrations on all the queries raised as part of the public exposition in August. In addition four out of the five sections have been reviewed by the Administrations and questions sent to the Company. The Company has already provided prompt and comprehensive replies on all of these four sections to the Administrations.

The Company has maintained a high level of engagement to expedite this process as much as possible in this difficult time with a second Covid-19 lockdown starting in Spain in October this year. The last remaining part, section five, covers the restoration and emergency plans, the backfilling process and water plans. Although the review of section five is progressing well, the Authorities have advised that they will not be in a position to send their questions on the fifth and final section until after year end. However, to expedite the process as much as possible they have split the remaining work, with Navarra focusing on reviewing section five, Aragon reviewing the answers submitted by the Company on queries raised during the public exposition and the Authorities in Madrid starting to draft the final Mining Concession text.

### **Muga Project: Financial Position**

The Company has made significant progress in the last quarter of the year in engineering and ordering long lead items, notably the bolter miner, to ensure Project readiness by year end. At the same time, in the last few months, the Company has implemented cash preservation measures including a headcount reduction and a significant reduction in consultant spend. With all of that, the Company is committed to maintain a cash balance of approximately AU\$ 20 million by year end.

The Project has been advanced to this point in line with expectations and it does not require any significant development until the final stage of the Mining Concession process is completed. On that basis, the Company is undertaking additional austerity measures to ensure that it continues to maintain a healthy cash balance and will not require any additional capital until after the Muga Mining Concession is granted.

**Highfield Resources CEO, Mr Salazar, said:** *“We are reaching the end of the year, having achieved our objectives in all areas of the Muga project in our control: engineering, sales, and financial. Despite Covid restrictions, most of the permitting work is also behind us. The effort we are putting into engaging with the Administrations is slowly but surely bearing fruit. In any case, with all the preparatory project work done, we are able now to preserve cash while we push forward the final stage of permitting. We look forward to start building the mine next year.”*

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

For more information:

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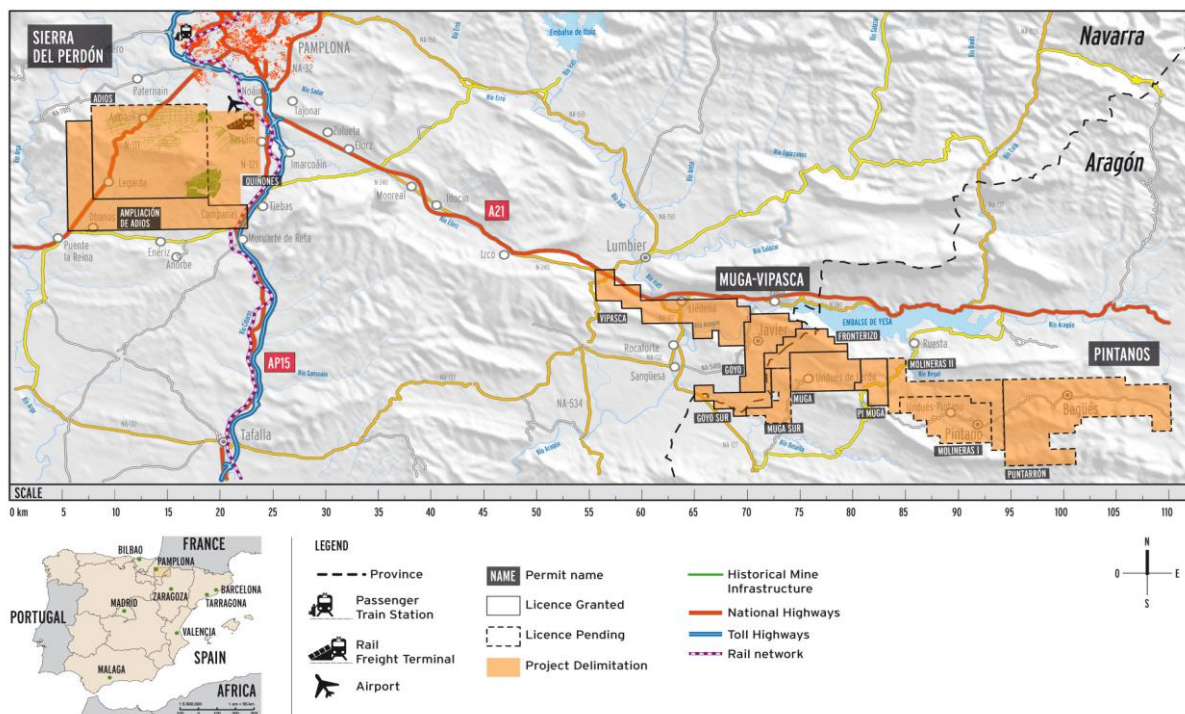
**About Highfield Resources:**

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

Highfield’s Muga-Vipasca, Pintanos, and Sierra del Perdón potash tenement areas are located in the Ebro potash producing basin in Northern Spain, covering an area of around 277km<sup>2</sup>.

The Company’s flagship Muga Project is targeting the relatively shallow sylvinitic beds in the Muga Project area that cover about 60km<sup>2</sup> in the Provinces of Navarra and Aragón. 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.

Highfield is now focusing on moving the Muga project into the construction phase by securing the mining concession and the construction permits and finalising the engineering and design work.



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