

ASX Release  
29 April 2016

## MARCH 2016 QUARTERLY ACTIVITIES REPORT

### Highlights

- Muga Potash Project development continues to allow construction to commence on receipt of required licences:
  - Global construction Company, Acciona Infraestructuras, completed a review of Muga capex and timelines which confirmed that Highfield's estimates are appropriate
  - Detailed engineering studies continue to advance
  - Orders placed for long-lead items
- Independent report by Argus FMB confirmed the Muga Potash Mine would have been the highest margin potash producer globally, based on average potash prices for the 2015 calendar year
  - The Argus Report confirmed Muga would be lowest delivered-cost-to-customer potash producer in its target markets of Europe, Brazil & US in 2015 (refer to ASX Announcement dated 19 January 2016)
- Subsequent to quarter-end, the Company provided an update on the mine approval process for the flagship Muga Potash Project (refer to ASX Announcement dated 7 April 2016) including:
  - A meeting was held with the Company and executives from the Department of Agriculture, Food and Environment in Madrid to discuss the mine approval process
  - At this meeting, Company executives were advised that it is possible for the environmental impact declaration ("*Declaración de Impacto Ambiental*" or "DIA") to be issued during the current caretaker Government period
  - The Spanish Environment Assessment Act ("Act") allows for a period of four months plus a possible two-month extension in which to issue a positive or negative DIA. This timeline commenced for the Project on 24 November 2015
- Scoping Study for the Company's SOP from MOP Project (upgrading some potash production to the speciality fertiliser SOP) substantially completed

### Corporate:

- Experienced global fertiliser trader, Pablo Moreno appointed as Global Head of Sales and Marketing based in the Company's head office in Pamplona, Spain.

### Financial Strength:

- Cash at bank as at 31 March 2016: A\$98.8m.

### Plans for June Quarter:

#### Muga Project:

- Receipt of final credit approvals subject only to legal documentation for project finance facility
- Execution of first supply agreements for production from the Muga Potash Mine
- Continue to progress mine approval process

#### Highfield Resources Ltd.

ACN 153 918 257  
ASX: HFR

#### Issued Capital

310.8 million shares  
51.5 million performance shares  
53.3 million options

#### Registered Office

C/- HLB Mann Judd  
169 Fullarton Road  
Dulwich, SA 5065  
Australia

T. +61 8 8133 5098  
F. +61 8 8431 3502

#### Head Office

Avenida Carlos III, 13 -  
1°B, 31002  
Pamplona,  
Spain

T. +34 948 050 577  
F. +34 948 050 578

#### Directors

Derek Carter  
Pauline Carr  
Richard Crookes  
Jim Dietz  
Anthony Hall  
Owen Hegarty  
Pedro Rodriguez

#### Company Secretary

Donald Stephens

**Other Projects:**

- Drilling to test exploration target in Pintanos Potash Project
- Advancement of strategies for de-icing and vacuum salt sales
- Progression of SOP from MOP Project to provide additional fertiliser options

**Muga Potash Project****Overview**

Highfield Resources (ASX: HFR) (“Highfield” or “the Company”) is a Spanish potash developer. The Company’s flagship Muga Potash Project (“Muga” or “the Project”) is targeting the relatively shallow sylvinite beds in the Muga Project area that cover about 80km<sup>2</sup>. Mineralisation commences at depths from surface of less than 200 metres and appears ideal for a relatively low-cost conventional mine accessed via a dual decline, as demonstrated in the Company’s Muga Project Optimisation Study completed in November 2015 (refer to ASX announcement dated 17 November 2015).

**Muga Mine development progress**

During the Quarter the Company continued to progress development and planning of Muga to allow construction to commence once licences are received.

Global construction Company Acciona Infraestructuras (“Acciona”) completed a review of Highfield’s cost plan and program for Muga. This review concluded that Highfield’s projected costs and timelines for construction are appropriate.

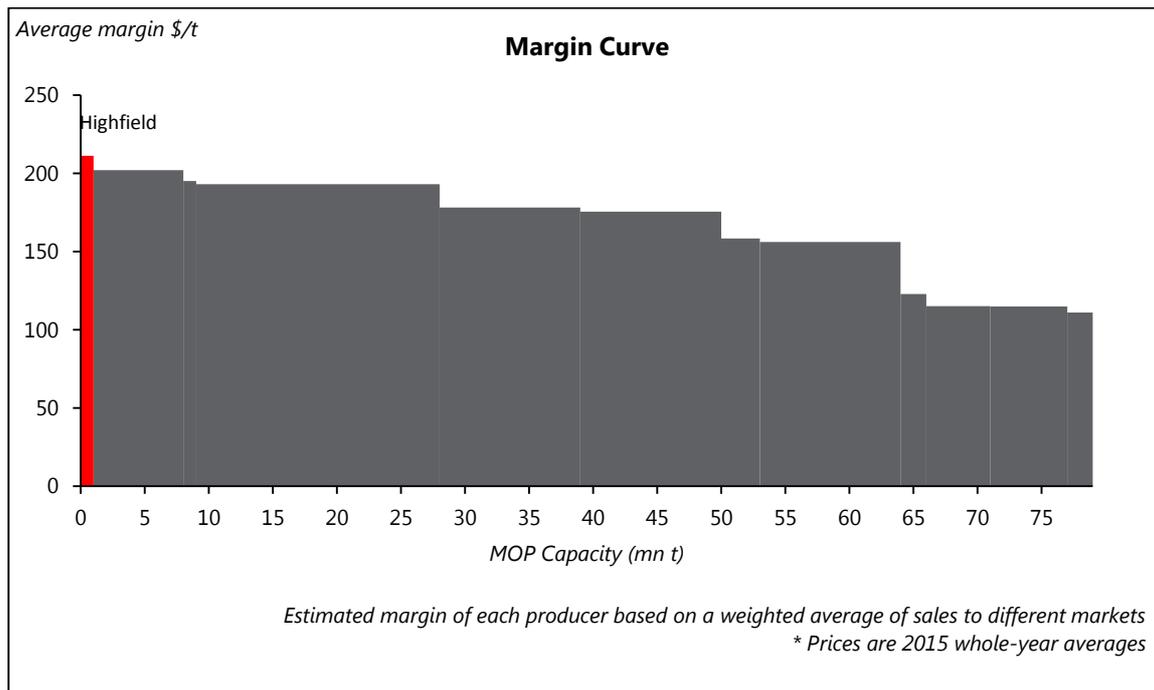
Detailed engineering studies continue to advance alongside expert consultants regarding underground mining & ventilation, process plant design and construction, site civil works, and tailings management.

Orders have been placed for long-lead items including equipment for drying, compacting and glazing facilities. The Company expects to place orders for flotation equipment and underground mining machinery in the coming months.

**Argus FMB independent report**

An independent report by global fertiliser consultant Argus FMB, commissioned by the European project finance banking syndicate, determined that based on average potash prices for the 2015 calendar year in its target markets, the Muga mine will likely position the Company as the highest margin potash producer globally.

The report also concluded that Highfield will be the lowest cost potash supplier, on a delivered-to-customer basis, into the Company’s target markets of Europe, Brazil and the US.



**Figure 1: Margin Curve of all Global Potash Producers**

More information on Argus FMB's independent report can be found in the ASX Announcement dated 19 January, 2016.

#### Permitting Update

Post quarter-end, the Company provided the following update with respect to the Project:

1. The Spanish Central Government's Department of Agriculture, Food and Environment in Madrid (*Ministerio de Agricultura, Alimentación and Medio Ambiente* or "MAGRAMA") continues to review the environmental and social impact assessment of the Project on behalf of the Project's referral authority, the Spanish Central Government's Department of Industry, Energy and Tourism (*Ministerio de Industria, Energía y Turismo* or "MINETUR").
2. Executives from the Company met with executives from MAGRAMA in Madrid on 5 April 2016. At this meeting, Company executives were advised that it was possible for MAGRAMA to issue the environmental impact declaration ("*Declaración de Impacto Ambiental*" or "DIA") during the current caretaker Government period.
3. As confirmed by Spanish legal advice received, under the Environment Assessment Act (the "Act"), MAGRAMA has a period of four months plus a possible two month extension in which to issue a positive or negative DIA.
4. This timeline commenced for the Project on 24 November 2015.
5. The Act does not include an Administrative Silence provision. Consistent with this, if an environmental impact declaration is not made by MAGRAMA for the Project within the relevant six month period it is not deemed to be a positive or negative declaration under the Act.
6. Since the undecided Spanish Central Government elections on 20 December 2015, MAGRAMA has issued DIAs for other projects and MAGRAMA has confirmed it is possible for DIAs to be issued during the current caretaker Government period.
7. The Company continues to work actively with all stakeholders to progress the Project.

### **Project Finance Update**

The Company had previously announced a project finance mandate with four Mandated Lead Arrangers (“MLAs”) for long-term project facilities of up to €222m to fund the construction of the Project. Credit approvals from three MLAs were received subject to satisfactory documentation and finalisation of due diligence.

Due diligence is close to completion and final facility discussions are in progress. The Company expects to receive the required credit approvals subject to legal documentation in the current Quarter.

### **SOP Project**

As part of the Company’s aspirations to become a significant global potash producer, it is exploring options to convert some of its potash production (MOP or KCl) to the specialty fertiliser SOP (K<sub>2</sub>SO<sub>4</sub>). With the significant premium in SOP over MOP in the United States, the Company believes there is an opportunity to earn a substantial additional margin from converting some of its MOP production to SOP.

The Company has substantially completed a Scoping Study on the SOP from MOP Project and expects to release it to the ASX when finalised.

Importantly the SOP Project is contingent on the success of the Muga Potash Mine as this will deliver the required MOP for conversion into SOP.

### **Vipasca Potash Project**

Highfield’s 100%-owned Vipasca Project area includes the majority of the Vipasca permit, the entire Borneau permit and half of the Osquia permit. The Company is focusing on the deeper, higher-grade potash mineralisation that occurs in the P1 and P2 potash beds. The beds are located in the Muga sub-basin, which runs along strike to the north-west into the Vipasca permit area.

Limited work was carried out on the Vipasca Project during the Quarter.

### **Pintano Potash Project**

Highfield’s 100%-owned Pintano Project 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 10 seismic profiles completed in the late 1980s.

Limited work was carried out on the Pintano Project during the Quarter.

### **Sierra del Perdón Potash Project**

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 the 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.

Limited work was carried out on the Sierra del Perdón Project over the Quarter.

### Izaga Potash Project

Highfield's 100%-owned Izaga Project covers an area of more than 100km<sup>2</sup>, 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.

Permit applications are currently under consideration and likely to be determined in the first half of CY2016.

### Basin Wide Potash Production and Logistics Scheme

The Company is investigating options for the exploitation of potash and salt mineralisation across its basin-wide project portfolio.

As reported in the Quarterly Activities Report dated 30 October 2015, global engineering consultancy, AECOM, has been appointed to provide support to the Company's engineering team and will report on multiple transport options including rail extensions and slurry pipelines to a railhead. This process is ongoing.

### Geoalcali Foundation

#### Overview

The Geoalcali Foundation is a not-for-profit Spanish foundation, supported exclusively by the Company. It was established to deliver projects into the communities in which the Company will operate its mines. Further information can be found at the foundation's website, [www.geoalcali.com/geoalcali-foundation](http://www.geoalcali.com/geoalcali-foundation).

#### Projects

The Company's community engagement program was expanded in the Quarter to include a broader focus on the region of Aragón. Ongoing initiatives include a fertiliser education program in collaboration with the Agricultural Technology Centre of Aragón, the OrganiK nursery and fertiliser project, and a number of social welfare programs and cultural initiatives throughout the region.

The Geoalcali Foundation now supports over 15 community projects.

### Corporate

#### Appointment of Global Head of Sales and Marketing

The Company appointed Mr. Pablo Moreno as Global Head of Sales and Marketing based in Pamplona. Mr. Moreno is a high level executive with experience in several industries including deep experience in the global fertiliser industry. Pablo will assume responsibility for the ongoing development and management of Highfield's sales and marketing function including offtake and supply contracting with key partners, logistics and supply channel management and risk management.

Highfield has made strong progress in establishing its sales and marketing function including advanced discussions with a variety of offtake partners. The appointment of Mr. Moreno is an important step in the Company's ongoing development. Highfield expects to announce its first supply agreements in the current quarter, well in advance of first production from Muga.

The Moreno family name is synonymous with fertiliser distribution in Europe and, in particular, Spain. Pablo has gained many years of direct experience in global trading, sales and marketing of fertilisers and chemicals through his family's businesses. In both the fertiliser industry and the other industries in which Pablo has operated, he has developed expertise in the establishment of new markets and sales of new products.

In 2009, Pablo relocated from Spain to Stamford, Connecticut, to manage a niche trading business focussed primarily on sulphur in the Americas. In this role, Pablo developed new markets and expanded the trading business' product range, negotiating agreements with both suppliers and customers and cemented key business relationships. In addition, he focussed on implementing best practice business processes to manage key business risks.

Most recently, Pablo has acted as a consultant to the fertiliser and commodity trading industry based in Spain and retains close links with a number of key Spanish fertiliser manufacturers and wholesalers.

### Cash position

As at 31 March 2016, the Company had A\$98.8 million in cash on its balance sheet.

### For more information:

#### Company

Anthony Hall  
Managing Director  
Ph: + 34 617 872 100

Hayden Locke  
Head of Corporate Development  
Ph: +34 609 811 257

#### Investor Relations Executives

Simon Hinsley  
APAC Investor Relations  
Ph: +61 401 809 653

Nuala Gallagher / Simon Hudson  
UK Investor Relations  
Ph: +44 207 920 3150

**Table 1: Summary of Highfield's Mineral Interests as at 31 March 2016**

| 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 | 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 Adiós | Investigation | 26/10/2012 | 14/02/2014 | 35880         | 40.90                | Geoalcali SL | 100%      |
|                   |         |                      |               |            |            |               | <b>148.98</b>        |              |           |
| 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    | 35920         | 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%      |
|                   |         |                      |               |            |            |               | <b>74.16</b>         |              |           |
| 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    | 35970         | 81.20                | Geoalcali SL | 100%      |
| Vipasca           | Navarra | Borneau              | Investigation | 28/04/2015 | Pending    | 35960         | 80.33                | Geoalcali SL | 100%      |
|                   |         |                      |               |            |            |               | <b>200.45</b>        |              |           |
| Pintano           | Aragón  | Molineras 10         | Investigation | 20/11/2012 | 6/03/2014  | 3495/10       | 18.20                | Geoalcali SL | 100%      |
| Pintano           | Aragón  | Molineras 20         | Investigation | 19/02/2013 | Pending    | 3495/20       | 16.80                | Geoalcali SL | 100%      |
| Pintano           | Aragón  | Puntarrón            | Investigation | 7/05/2014  | Pending    | 3509          | 30.24                | Geoalcali SL | 100%      |
|                   |         |                      |               |            |            |               | <b>65.24</b>         |              |           |
| Izaga             | Navarra | Girardi              | Investigation | 28/04/2015 | Pending    | 35950         | 79.17                | Geoalcali SL | 100%      |
|                   |         |                      |               |            |            |               | <b>79.17</b>         |              |           |
| <b>Total</b>      |         |                      |               |            |            |               | <b>568.00</b>        |              |           |

\*Permit includes areas in two Projects

**Location:** All permits are located in Spain.

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

**Changes:** Nil

## 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 more than 550km<sup>2</sup>. The Sierra del Perdón project includes two former operating potash mines.

The Company completed a Definitive Feasibility Study for its flagship Muga Project in March 2015, which was optimised in November 2015 to enhance operational efficiencies, sales and marketing activities and the life of mine. Highfield is awaiting a positive environmental declaration which will enable it commence construction of the Mine.

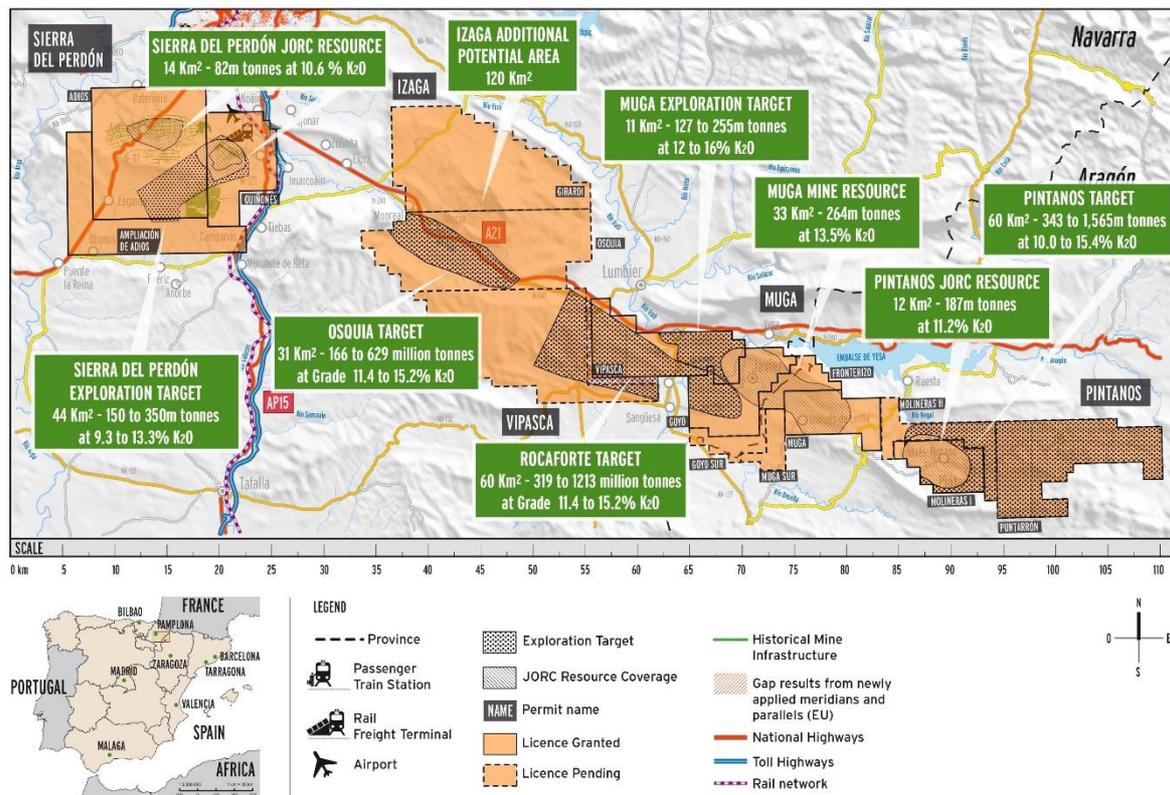


Figure 2: Location of Highfield's Muga, Vipasca, Pintano, Izaga and Sierra del Perdón Projects in Northern Spain