

ASX Release  
23 January 2018

## DECEMBER 2017 QUARTERLY ACTIVITIES REPORT

### Overview

- Completed voluntary public consultation process on the environmental permit application and answered all submissions received
- Mine Ministry's formal process near completion
- Metallurgical test work program to confirm and optimise Muga process flow sheet nearing completion
- Mine design optimisation studies progressing
- Tendering and evaluation of first design and construction package complete
- Completed exploration drill hole at Sierra del Perdón Project
- Hosted public open day for Muga Project

### Financial Status:

- Cash at bank as at 31 December 2017: A\$65.6m.

### Plans for March Quarter 2018:

#### Muga Potash Mine:

- Ongoing preparation for construction and operational readiness
- Complete metallurgical test work program
- Incorporate results of metallurgical test work program into Muga process optimisation
- Complete mine optimisation studies
- Award design component of first construction package
- Hold further open days for stakeholder engagement

#### Other Projects:

- Receipt of results from exploration drill hole at Sierra del Perdón
- Further exploration work on prospective areas at Sierra del Perdón
- Relinquishment of less prospective areas of Vipasca and Sierra del Perdón

**Highfield Resources Ltd.**  
ACN 153 918 257  
ASX: HFR

**Issued Capital**  
329.2 million shares  
51.01 million options

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Spain

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**Directors**  
Derek Carter  
Peter Albert  
Pauline Carr  
Richard Crookes  
Jim Dietz  
Owen Hegarty

**Company Secretary**  
Donald Stephens

## 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 sylvinitic beds in the Muga Project area that cover about 80km<sup>2</sup> in the Provinces of Navarra and Aragon. 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, as demonstrated in the Company’s Muga Project Optimisation Study completed in November 2015 (refer to ASX announcement dated 17 November 2015).

### Permitting Update

On 1 September 2017, the Company commenced a voluntary public consultation for Muga. The public consultation period closed on 16 October 2017 and Highfield has finalised and submitted responses to all comments and items raised during the process. Importantly, no new material issues were raised during this process and the number of comments submitted was less than in the first consultation process in 2015.

The Company announced that the Ministerio de Energía, Turismo y Agenda Digital (“MINETAD”), had formally requested comments on the Project from relevant authorities and other parties (refer ASX release 12 July 2017, Muga Project Permitting Environmental Update). MINETAD has now provided Highfield with all but two of the reports submitted to it by the interested stakeholders and the Company has provided responses to all comments and items raised in those reports. The Company considers that there are no material or significant negative matters in those reports received. The Company has also been advised that the remaining two reports have been sent to the relevant Spanish authorities, but has not yet received copies of those reports for comment.

In early October, the Company hosted an Open Day at its facilities in the town of Sangüesa which is located close to the Project. The initiative was very well received, with approximately 200 people visiting the Company’s facility to hear about the Project from members of Highfield’s Spanish team. The visitors included the mayors from most of the local townhalls who all came to demonstrate their support for the project. The next open day will be scheduled for immediately after receipt of the Declaración de Impacto Ambiental (“DIA”)

### Muga Mine Development Progress

During the Quarter, the Company continued to work on updating the capital cost estimates from the Muga Optimisation Study, which was released to the market in November 2015 (refer ASX release 17 November 2015, “Project Optimisation Doubles Muga Mine Life to 47 Years”). Whilst it is likely that there will be some cost escalation in the more than two years since the last cost estimates were published, the Company does not currently consider there will be other material changes in those estimates. During the Quarter, optimisation metallurgical test work continued at the Saskatchewan Research Council (“SRC”) facilities in Canada. The Company expects that the work will be completed in the March quarter and that this will result in some improvements to the current process design. The impact of these improvements is being determined and potentially may include the re-sizing and changes to some equipment to improve overall recoveries and reduce operating risk.

### Project Financing

During the quarter, the Company continued its dialogue with its Project Finance syndicate with respect to the €185 million facility for Muga. It also engaged with other potential providers of capital.

Highfield remains confident of putting in place its debt financing following receipt of all approvals, to support a final investment decision and the commencement of construction.

### Pintanos Potash Project

Highfield's 100% owned Pintanos Project (see Figure 1) abuts the Muga Project and covers an area of 60km<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 ten seismic profiles completed in the late 1980s.

During the Quarter, limited additional work was carried out.

### Sierra del Perdón

Highfield's 100% owned Sierra del Perdón ("SdP") Project (see Figure 1) is located south east of Pamplona and covers approximately 145km<sup>2</sup>. SdP is a brownfields project with two potash mines operating from the 1960s through until the late 1990s producing nearly 500,000 tonnes of K60 MOP per annum.

During the period, an exploration drill hole was completed at SdP. Results are expected in the March quarter.

After a number of years of exploration work, the Company has now reached the point where it will focus further work on the most prospective areas of SdP and will relinquish the less prospective part of the tenements. This is likely to occur in the next quarter and a further three holes are planned on the highly prospective areas identified at SdP.

### Vipasca

Highfield's 100% owned Vipasca Project ("Vipasca") is located adjacent to the Muga Project and covers approximately 120km<sup>2</sup>. The tenement is highly prospective for economic potash mineralisation, with primary focus on the deeper, higher grade, P1 and P2 potash horizons.

During the Quarter, limited additional work was carried out.

Like SdP, parts of Vipasca are now deemed highly unlikely to yield an economic Reserve and the Company is now in a position to focus on the identified more prospective areas. A further three holes are planned in 2018.

### Other Projects

The Company has an additional 100%-owned project in the basin (see Figure 1) known as Izaga. Limited work was carried out on this project during the quarter.

## Corporate

### Cash Position

The Company continues to actively pursue options to preserve cash whilst at the same time committing to expenditure required for permitting and project optimisation activities. Over the past 18 months the workforce has been reduced by about 20 persons to approximately 30 employees. The team size is anticipated to grow substantially and appropriately once the DIA is received.

As at 31 December 2017, the Company had A\$65.6 million in cash on its balance sheet.

### Other

During the Quarter the Company held its Annual General Meeting and all resolutions were passed.

During the Quarter the Company also announced that it would be changing its financial year to a calendar year effective 1 January 2018.

### For more information:

#### Highfield Resources

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Investors Relations  
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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 550km<sup>2</sup>.

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, the award of its mining concessions 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 SdP, Vipasca and Pintanos Potash Projects.

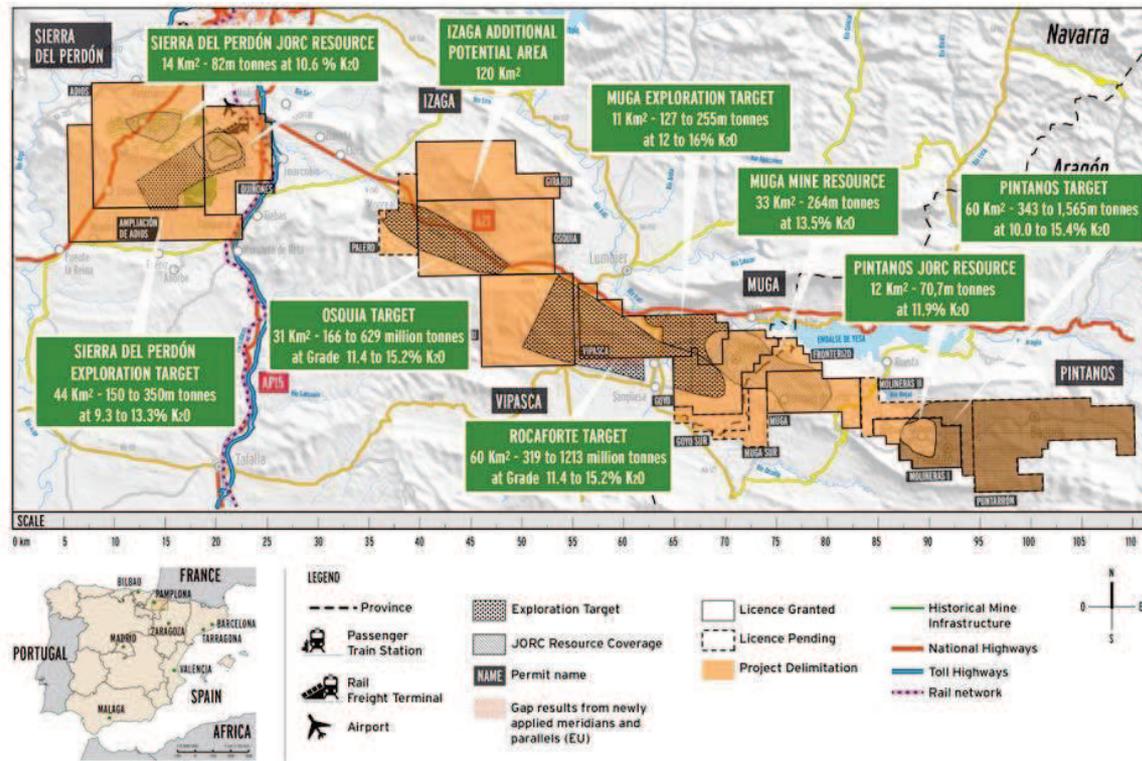


Figure 1: Location of Highfield’s Muga, Vipasca, Pintanos, Izaga and Sierra del Perdón Projects in Northern Spain\*

*\*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*

### Competent Persons Statement

This ASX release was prepared by Mr. Peter Albert, Managing Director of Highfield Resources. The information in this release that relates to Ore Reserves, 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 they are 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.

**Table 1: Summary of Highfield's Mineral Interests as at 31 December 2017**

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	07/08/2012	35760	32.48	Geocalcali SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	07/08/2012	35770	75.60	Geocalcali SL	100%
Sierra del Perdón	Navarra	Amplificación de Adiós	Investigation	26/10/2012	14/02/2014	35880	40.90	Geocalcali SL	100%
							<b>148.98</b>		
Izaga	Navarra	Girardi	Investigation	28/04/2015	26/01/2017	35950	38.57	Geocalcali SL	100%
Izaga	Navarra	Osquia	Investigation	28/04/2015	12/01/2017	35970	57.42	Geocalcali SL	100%
Izaga	Navarra	Palero	Investigation	12/05/2017	Pending	36000	11.76	Geocalcali SL	100%
							<b>107.75</b>		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	38.92	Geocalcali SL	100%
Vipasca	Navarra	Borneau	Investigation	28/04/2015	12/01/2017	35960	80.33	Geocalcali SL	100%
							<b>119.25</b>		
Muga	Navarra	Goyo	Investigation	19/07/2011	24/12/2012	35780	27.72	Geocalcali SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	Pending	35920	8.96	Geocalcali SL	100%
Muga	Aragón	Fronterizo	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	9.80	Geocalcali SL	100%
Muga	Aragón	Muga	Investigation	29/05/2013	07/04/2014	3500	20.40	Geocalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	3524	7.28	Geocalcali SL	100%
							<b>74.16</b>		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18.20	Geocalcali SL	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Pending	3495/20	16.80	Geocalcali SL	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Pending	3510	30.24	Geocalcali SL	100%
							<b>65.24</b>		
						<b>Total</b>	<b>515.38</b>		
Muga	Navarra	Goyo	Concession	10/12/2014	Pending	35780	14.79	Geocalcali SL	100%
Muga	Aragón	Fronterizo	Concession	10/12/2014	Pending	Z-3502/N-3585	8.70	Geocalcali SL	100%
Muga	Aragón	Muga	Concession	10/12/2014	Pending	3500	15.08	Geocalcali SL	100%

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

**Holder:** All permits are held by Geocalcali SL, a 100% owned Spanish subsidiary of Highfield Resources Limited.

**Changes:** There were no changes during the period.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

HIGHFIELD RESOURCES LIMITED

**ABN**

51 153 918 257

**Quarter ended ("current quarter")**

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(2,817)	(4,782)
(b) development	-	-
(c) production	-	-
(d) staff costs	(646)	(1,196)
(e) administration and corporate costs	(47)	61
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,507)</b>	<b>(5,910)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(7)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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>(6)</b>	<b>(7)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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>-</b>	<b>-</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	67,853	69,560
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,507)	(5,910)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(7)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	1,237	1,934
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>65,577</b>	<b>65,577</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	65,577	67,853
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>65,577</b>	<b>67,853</b>

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	459
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments for Directors consulting fees and Directors salaries - \$459k

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

Appendix 5B

**Mining exploration entity and oil and gas exploration entity quarterly report**

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(2,896)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(688)
9.5 Administration and corporate costs	(17)
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>(3,601)</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

### 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.



Sign here:

(CFO)

Date: 23 January 2018

Print name: Mike Norris

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.