

ASX Release
23 July 2018

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2018

Overview

- Final environmental approval clarification document submitted mid July 2018 to the Ministry of Ecological Transition (Ministerio para la Transición Ecológica), formerly known as the Ministry of Agriculture, Fishing, Food and Environment (MAPAMA)
- Extensive interaction with relevant bodies to ensure alignment on key aspects of the submission
- Continued mine design optimisation including work by SRK on revised mine layout
- Confirmatory geotechnical drilling validated the proposed Muga Mine twin access decline
- Geotechnical drilling on the surface infrastructure facilities area completed and confirmed no issues
- Hydrogeological drilling completed and water pumping tests commenced
- Basic design completed by Hatch on revised plant process flow sheet, excluding the new crystalliser circuit which is currently work in progress
- A third-party project review by Micon International Company Limited confirmed Highfield's project execution plan
- Appointment of three Non-Executive Directors with strong mining and Spanish experience

Financial Status:

- Cash at bank as at 30 June 2018: A\$60.3M

Plans for September Quarter 2018

Muga Project:

- Finalise decline design and mine layout
- Complete two further geotechnical drill holes
- Complete detailed water pumping tests
- Complete revised capital cost estimate based on revised mine and plant optimisation work
- Continuing to tender the procurement of project elements including the crystalliser
- Continuing preparation for the next steps in the approval process, including submission of documentation relating to the Construction Permits, as well as preparation for on-site construction activities

Other Projects:

- Finalise exploration drilling at Sierra del Perdón and submit application for extension

Highfield Resources Limited
ACN 153 918 257
ASX: HFR

Issued Capital
329.5 million shares
53.25 million options

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Directors
Derek Carter
Peter Albert
Pauline Carr
Richard Crookes
Roger Davey
Jim Dietz
Owen Hegarty
Brian Jamieson
Isaac Querub

Company Secretary
Donald Stephens

Muga Project

Overview

Highfield Resources (ASX: HFR) (“Highfield” or “the Company”) is a Spanish potash developer. The Company’s flagship Muga Project (“Muga” or “the Project”) is targeting the relatively shallow sylvinite beds in the Muga Project area that cover about 80km² 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.

Muga Project Approvals Process

The Company submitted its final clarification documentation mid July 2018 to the Ministry for Ecological Transition (Ministerio para la Transición Ecológica), formerly MAPAMA.

On 21 March 2018, the Company advised that the Ministry for Ecological Transition, had requested the Company to provide further clarification on three specific items, being seismicity, subsidence and salt by-product management. The Company requested, and was granted, a standard 45 day extension over the three months response timeframe initially specified. Given the unseasonably wet weather experienced throughout the quarter, the extension proved important in ensuring that the fieldwork involved was completed as required and that the report submitted was both comprehensive and of a high quality. The extension also ensured the Company was able to validate all aspects of the clarification documentation with the relevant regulatory bodies prior to its submission.

Muga Project Technical Update

During the quarter, geotechnical assessment of the decline access to the orebody continued. A geotechnical hole along the line of the declines has now been completed to a length of 482m. Good core recovery has indicated competent rock quality along most of its length and validated the geological modelling arising from previous vertical drill holes. In addition, ground water quality and flow rates were monitored throughout the drilling which confirmed low flow rates and no salinity. A further two geotechnical holes drilled from surface will commence in late July.

The geotechnical work to date has confirmed the Company’s revised plan to develop twin parallel declines with improved safety, simplicity of development and operation, cost, time to complete, and optimal access to the ore body. Also, studies with respect to determining the best equipment to develop the declines have now been completed, with “*bolter-miners*” the preferred option. SRK Consulting (UK) Limited, is continuing to review the optimised mine plan and mine operating costs.

Two hydrogeological test holes have been drilled and a piezometer installed. Pumping tests have commenced which will be used to confirm water management strategies for mine development and operations.

During the Quarter, the Company proceeded with the implementation of the process improvements resulting from the metallurgical testwork programme carried out by the Saskatchewan Research Council as reported in the last quarterly report. Based on the results from this testwork, Hatch has now completed the basic design for the new process flowsheet to optimise MOP product grade, with the exception of the crystalliser. The Company has issued tender documentation for the crystalliser, with final proposals expected in the next quarter.

The project capital cost is under review to consider changes in the process plant and mine plan. It will also consider other factors such as cost escalation, expected requirements from the environmental permitting process, and appropriate contingency allowances. It is now anticipated that the backfilling and salt plants that were previously included in the second phase of the Muga Project will instead be incorporated into the

first phase. It is intended that a revised “project statement”, included revised capital costs, operating costs and development plans will be completed in the next quarter.

A third party review of the Project is being undertaken by UK-based mineral industry consultants, Micon International Co. Ltd, focussing on the technical, engineering and delivery aspects of the Project. A preliminary report received during the Quarter confirmed that the Company’s technical and development plans are sound and that there are no fatal flaws. The final report will be received by the Company following completion of the definitive mine plans and a review of the revised capital and operating estimates.

Project Financing

The Company has continued to update the Project Finance syndicate on project development with respect to the financing facility for Muga.

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

Pintanos Project

Highfield’s 100% owned Pintanos Project (see Figure 1) abuts the Muga Project and covers an area of 65km². 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.

The Company has re-started application for the drilling permit “Molineras-20” which will soon begin the public exposition process.

Sierra del Perdón Project

Highfield’s 100% owned Sierra del Perdón (“SdP”) Project (see Figure 2) is located south east of Pamplona and covers approximately 145km². SdP is a brownfields project which previously hosted two potash mines operating from the 1960s until the late 1990s producing nearly 500,000 tonnes of K60 MOP per annum. There is potential for potash exploitation in new, unmined areas in the SdP Project area.

Two new exploration drill holes are continuing at SdP, SdP-007 and SdP-017.

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. The results of the drilling in progress will be incorporated into an exploration plan for the next 3 years in support of an application for extension of the current permits that will expire in September 2018.

Vipasca

The Vipasca Project area includes the majority of the Vipasca permit, the entire Borneau permit and half of the Osquia permit. It is located adjacent to the Muga Project and covers approximately 100km². The tenement is highly prospective for economic potash mineralisation, with a primary focus on the deeper, higher grade, P1 and P2 potash horizons.

As previously reported, additional work was completed at Vipasca in 2017 which was designed to test the deeper mineralisation towards the west, beyond the north west extension of the deposit. As a result of this work, parts of Vipasca are now deemed unlikely to yield an economic Reserve and the Company is now in a position to focus on the identified more prospective areas.

Other Projects

The Company has an additional 100%-owned project in the basin (see Figure 1) known as Izaga. During the Quarter an additional permit in this area, the Izaga Palero permit, was granted on 7 June 2018. No additional field work was carried out on this project during the Quarter.

Corporate

On 5 April 2018 Mr Isaac Querub was appointed to the Board as an independent Non-Executive Director (see ASX announcement of 5 April 2018). Mr Querub has more than 35 years' experience in the commodities sector including 12 years as CEO of Glencore in Spain.

On 24 May 2018 the Company's AGM was held with all resolutions passed, including the appointment of two Non-Executive Directors, Mr Roger Davey and Mr Brian Jamieson.

Mr Davey is a mining engineer with over 40 years' experience in international mining and mining finance. A fluent Spanish speaker, Mr Davey is also Chairman of Atalaya Mining in southern Spain.

Mr Jamieson has over 40 years' experience in the advisory, manufacturing, resources and technology industries in Australia and offshore and is experienced in developing exploration-focused companies into producers.

Cash Position

The Company continues to actively pursue opportunities to preserve cash whilst at the same time committing to expenditure required for permitting and project optimisation activities.

As at 30 June 2018, the Company had A\$60.3 million in cash on its balance sheet.

For more information:

Highfield Resources Limited

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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 500km².

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.

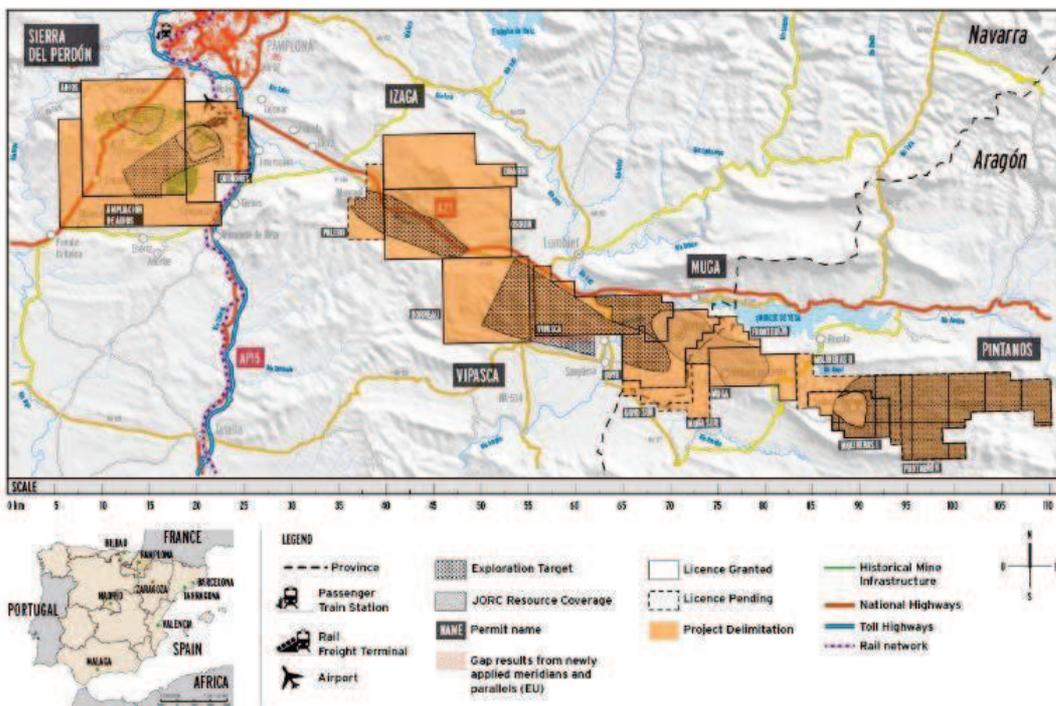


Figure 1: Location of Highfield's Muga, Vipasca, Pintano, Izaga and Sierra del Perdón Projects in Northern Spain*

**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*

COMPETENT PERSONS STATEMENT

This update was prepared by Mr. Peter Albert, Managing Director of Highfield Resources. The information in this update 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 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 and Mr. Manuel Jesús Gonzalez Roldan consent to the inclusion in this update of the matters based on their information in the form and context in which it appears.

Table 1: Summary of Highfield's Mineral Interests as at 30 June 2018

Project	Region	Permit Name	Permit Type	Applied	Granted	Ref #	Area Km ²	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	07/08/2012	35760	32.48	Geoalcali SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	07/08/2012	35770	75.60	Geoalcali SL	100%
Sierra del Perdón	Navarra	Amplificación de Adiós	Investigation	26/10/2012	14/02/2014	35880	40.90	Geoalcali SL	100%
							148.98		
Izaga	Navarra	Girardi	Investigation	28/04/2015	26/01/2017	35950	38.57	Geoalcali SL	100%
Izaga	Navarra	Osquia	Investigation	28/04/2015	12/01/2017	35970	57.42	Geoalcali SL	100%
Izaga	Navarra	Palero	Investigation	12/05/2017	07/06/2018	36000	11.76	Geoalcali SL	100%
							107.75		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	09/04/2018	35900	27.30	Geoalcali SL	100%
Vipasca	Navarra	Borneau	Investigation	28/04/2015	12/01/2017	35960	80.33	Geoalcali SL	100%
							107.63		
Muga	Navarra	Goyo	Investigation	19/07/2011	21/10/2018	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	05/02/2014	Z-3502/N-3585	9.80	Geoalcali SL	100%
Muga	Aragón	Muga	Investigation	29/05/2013	07/04/2014	3500	20.40	Geoalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	3524	7.28	Geoalcali SL	100%
							74.16		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18.20	Geoalcali SL	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Pending	3495/20	16.80	Geoalcali SL	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Pending	3510	30.24	Geoalcali SL	100%
							65.24		
						Total	503.76		
Muga	Navarra	Goyo	Concession	10/12/2014	Pending	35780	14.79	Geoalcali SL	100%
Muga	Aragón	Fronterizo	Concession	10/12/2014	Pending	Z-3502/N-3585	8.70	Geoalcali SL	100%
Muga	Aragón	Muga	Concession	10/12/2014	Pending	3500	15.08	Geoalcali SL	100%

Location: All permits are located in Spain.

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

Changes: The Izaga Palero permit was granted on 7 June 2018.

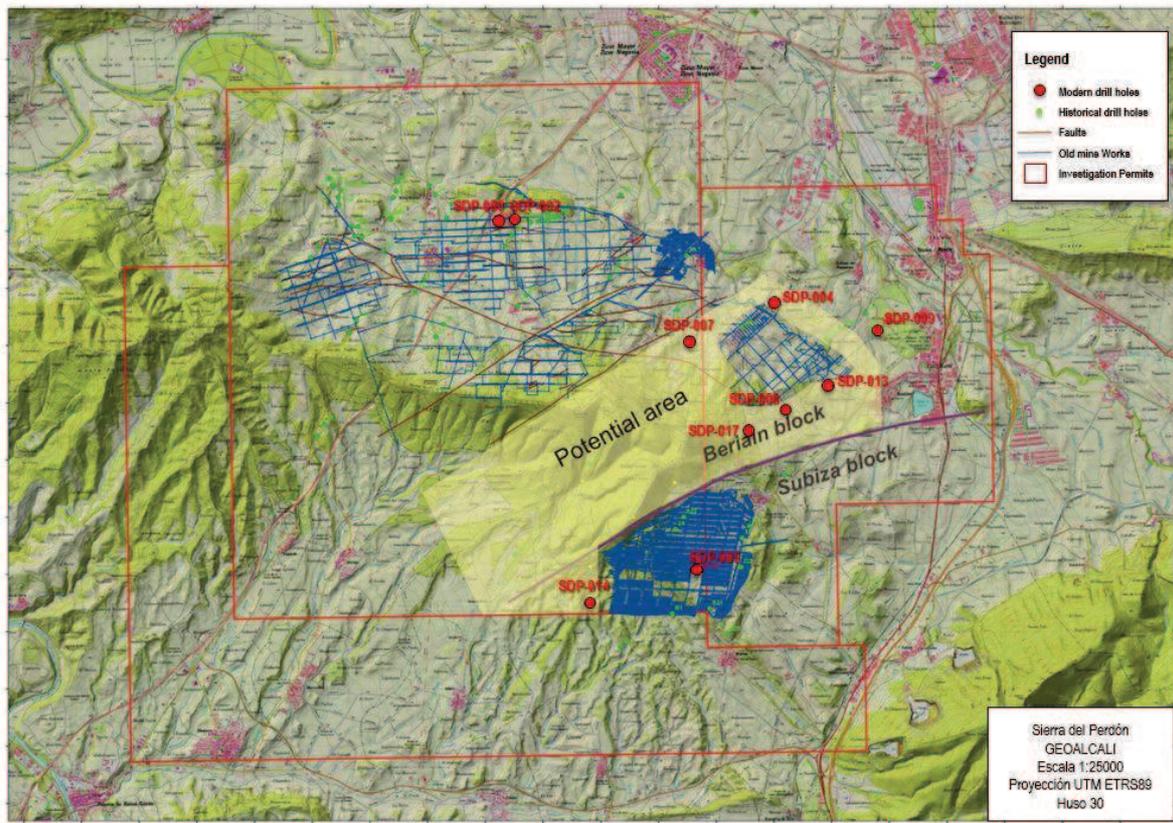


Figure 2: Location of Highfield's Sierra del Perdón drill holes

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")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(3,161)	(5,756)
(b) development	-	-
(c) production	-	-
(d) staff costs	(597)	(1,386)
(e) administration and corporate costs	(219)	(394)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other – GST/VAT refunded	231	327
1.9 Net cash from / (used in) operating activities	(3,744)	(7,205)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(10)
(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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	(3)	(10)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	187	187
3.4	Transaction costs related to issues of shares, convertible notes or options	(2)	(2)
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)	-	-
3.10	Net cash from / (used in) financing activities	185	185

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	64,946	65,577
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,744)	(7,205)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(10)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	185	185
4.5	Effect of movement in exchange rates on cash held	(1,124)	1,713
4.6	Cash and cash equivalents at end of period	60,260	60,260

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	60,260	64,946
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)	60,260	64,946

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	388
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' fees and salaries - \$388k

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

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(3,929)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(517)
9.5 Administration and corporate costs	(264)
9.6 Other – GST/VAT refunded	229
9.7 Total estimated cash outflows	(4,481)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Vipasca permit, Navarra Spain	Investigation permit	38.92Km ²	27.30K
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 July 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.