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Highfield Resources expects offtake partners to invest equity for “shovel-ready" potash project – CEO

06:46 BST, 6 June 2023

Highfield Resources [ASX:HFR], a Spain-headquartered muriate of potash (MOP) company listed on the ASX, expects to get potential offtake partners to invest equity as it is close to finalising the remaining funding required for the Phase 1 construction of its flagship, "shovel-ready" Muga muriate of potash (MOP) mine in Spain, Managing Director and CEO Ignacio Salazar said.

“We could sign an offtake agreement any moment but, now that security of supply has become painfully obvious to Europeans, if we connect our advantage to an equity injection or a partnership agreement, it is value to add to the company,” Salazar told this news service.

Phase 1 of construction at Muga, which now has permitting and licensing agreements in place, will cost EUR 436m (USD 467m), with extra funding required for working capital and financing costs until Muga reaches production, Salazar said. Construction began at Muga last year and the company is now looking to build main facilities like the plant, ramps and the mine, he said.

The company has already secured EUR 320m of the project funding and EUR 25m via a leasing facility from Macquarie, with the gap to be covered by strategic investors and the equity markets, he said.

Potential strategic investors, either at the company level or the project level, could be sector players like a big European mining companies, distributors or logistics companies, he said, adding that the company is already in talks with some interested parties.

Highfield Resources in May also received a AUD 25m investment from its now-27% shareholder EMR Capital and boutique investment manager Tectonic Investment Management, which is a positive sign of investor interest in the project, he said. The AUD 25m is providing runway for the company until project funding is complete, he added.

The company plans to finalise funding for the Phase 1 project in 4Q22, according to the company’s AGM presentation on 30 May.

Phase 2 of the project would cost EUR 210m and double Muga's production, the CEO continued. Funding for Phase 2 would be decided after three-to-four years of production, once the project is de-risked in terms of technology, marketing and financing, he said.

The AUD 233.4m (USD 154.3m) market cap company is benefiting from sanctions on major MOP providers in Russia and Belarus, as well as Muga’s geographical location in Europe, Salazar said, adding that Muga is “in the middle of the agricultural market of Europe”, while many other MOP mines are long distances from their end customers.

The European MOP market is strong at the moment and there is no alternative project to Muga in terms of new mines in the continent, Salazar said, noting that Muga is now "shovel-ready".

Highfield Resources is expected to earn EUR 400m EBITDA once Muga reaches full production, he said.

The company is also ramping up employment for construction at Muga, aiming to increase from 30 workers now to a total of almost 1,000, including contractors during construction, he said.

by [James Arbuthnott](#) in Sydney

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