



## March 2024 Quarterly Activities Report

### HIGHLIGHTS

- The construction contract for the declines and underground mining infrastructure signed with the Portuguese/Spanish joint venture, EPOS-TUNELAN.
- Muga Project's Civil Works contract signed with Acciona Construcción, S.A. ("Acciona"), a well-known Spanish international construction company with significant experience in civil works.
- With the signing of these two important contracts, almost two thirds of the planned construction budget has been awarded.
- Contract values aligned to the estimated construction cost of the declines and the civil works included in the Updated Muga Feasibility Study of 7 November 2023 (refer ASX announcement, "Updated Muga Feasibility Study").
- Good progress is being made on the financing including discussions with several strategic investors which have signed non-binding term sheets, and are advancing due diligence, and negotiations.
- The Company is actively negotiating with a combination of potential investors from a range of sources including offtake customers, equity investors, strategic business partners and royalty providers, to complete the remaining funding of Muga. Based on progress so far, the Company is working with a plan to conclude these negotiations in Q2 2024.
- Extraordinary General Meeting held on 9 February 2024 and all resolutions passed.
- A\$16.3 million cash at bank at 31 March 2024.

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European potash developer, Highfield Resources Limited (ASX:HFR) (**Highfield**, or the **Company**) is pleased to provide the market with an update on activities developing the world class Muga Potash mine (**Muga**), located in the Navarra Province, Spain for the quarter ended 31 March 2024.

### PROJECT UPDATE

#### Muga Mine

The Muga Potash Mine is located in northern Spain, near the town of Pamplona with high quality and readily accessible infrastructure already in place in the region. Importantly, Muga is located in the heart of a European agricultural region which has a clear deficit in potash supply. Muga has all key licences and permits needed to begin full scale construction.



## Declines and Underground Mining Infrastructure Contract

The contracting strategy for the Muga-Vipasca Potash Project will employ an owner-managed project delivery model that envisages the construction of the declines and the underground mining infrastructure to be undertaken by a specialist mining contractor and the civil works by a general contractor. Following a rigorous tender process, Highfield signed a contract for the construction of the declines and underground mining infrastructure with the EPOS-TUNELAN joint venture.

EPOS and TUNELAN submitted a joint offer. The combination of these two companies will take advantage of the synergies created by EPOS' extensive experience in multiple mining and underground construction projects in different projects in Europe and the Americas along with TUNELAN's local knowledge of Spanish construction regulations as well as its extensive practical working experience with equipment (eg. Roadheaders), similar to that which will be used in Muga.

The EPOS-TUNELAN lump-sum based contract value (€48 million) is in line with the estimated capital cost included in the Feasibility Study published on 7 November 2023 (refer ASX, "Updated Muga Feasibility Study"). The value of the decline contract represents 11% of the phase 1 Capex of €449 million and just under a third of the total planned construction budget. Conditions precedent to initiate any payment under this contract include the Company making a Final Investment Decision and the completion of funding.

## Civil Works and Urbanization Contract

As announced in the Updated 2023 Feasibility Study, the contracting strategy for the Muga-Vipasca Potash Project includes the construction of the Civil Works to be undertaken by a General Contractor. Following a robust tender process, Highfield has signed a contract for the construction of the Civil Works and Urbanization with Acciona.

The Acciona lump-sum based contract value (€56.9 million) is in line with the estimated capital cost included in the Feasibility Study.

The construction duration agreed with Acciona covers 27 months and is consistent with the overall schedule of the Project. Highfield will actively collaborate with Acciona in the hiring of personnel, with a focus on engaging local people.

Acciona is a leading player in the construction and operation of transport infrastructure: roads, bridges, railways, tunnels, data centers and sustainable solutions in the construction of transmission networks and electrical substations. It also offers infrastructure maintenance and upkeep solutions.

## **POTASH MARKET**

Global potash prices have stabilized with Granular MOP prices in Europe staying around €350/t to €370/t. Demand for potash has increased in Brazil and while global supply is currently stable the continuing conflict in the Middle East may lead to supply disruptions.

## **EXPLORATION**

There were no significant exploration activities during the quarter. The current priority for the Company remains the development and construction of the Muga Potash mine.



## CORPORATE

As at 31 March 2024, the Company's cash balance was A\$16.3 million. Operating and investing cash outflows during the period at A\$2.5m were down by 29% (or A\$1.1m) when compared to the previous quarter. The main expenditure in this quarter relates to general admin costs (A\$1.3m), financial advisors and consultants' fees (A\$0.7m) as well as engineering and other expenditure to advance Muga (A\$0.4m). Additional cash outflows of A\$2.9m occurred, most of which related to the payment of a portion of the senior lenders' commitment fees while incoming funds from the convertible note holders for the tranche formalised in December 2023 accounted for A\$7.5m. As a result of this, net cash movement in the quarter was positive at A\$2.2m.

Highfield is making good progress on its financing strategy. Progress with several strategic investors is being made by signing non-binding term sheets, and advancing due diligence, and negotiations. The Company is actively negotiating with a combination of potential investors from a range of sources including offtake customers, equity investors, strategic business partners and royalty providers, to complete the remaining funding of Muga. Based on progress so far, the Company is working with a plan to conclude these negotiations in Q2 2024.

### Extraordinary General Meeting

All resolutions were carried via poll at the Extraordinary General Meeting held on 9 February 2024 (refer ASX announcement 11 February 2024, "Results of Meeting - EGM"). as detailed below

- 1) Approval of issue of convertible notes (95.97% For, 4.03% Against)
- 2) Approval of previous issue of convertible notes under ASX Listing Rule 7.1 (Institutional Investor) (98.04% For, 1.96% Against)
- 3) Approval of previous issue of convertible notes under ASX Listing Rule 7.1 (Tectonic) (98.11% For, 1.89% Against)

The Company received the proceeds of A\$7.5 million from these convertible notes after the EGM during the quarter.

### Change of Registry

Effective 4 March 2024, the Company changed its share registry from Advanced Share Registry Limited to Automic Pty Ltd (Automic). Shareholders with any queries in relation to their Highfield holding may contact the new registry, Automic, as follows:

Phone: 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia)

Email: [hello@automicgroup.com.au](mailto:hello@automicgroup.com.au)

Mail: Automic  
Level 5, 126 Phillip Street  
Sydney NSW 2000  
GPO Box 5193  
Sydney NSW 2001

Shareholders can easily and efficiently manage their holdings via Automic's secure and highly accessible online investor portal. The portal provides, among other things, an online interface to update and manage shareholder details, view balances and transaction history.



## PAYMENTS TO RELATED PARTIES

As outlined in section 6 of the attached Appendix 5B, payments to related parties of the entity and their associates, totals A\$288k, relate to salaries and fees paid to executive and non-executive Directors during the quarter.

## Q2 2024 ACTIVITIES

- Advance strategic investor process and project funding
- Construction readiness planning
- Global investor relations plan
- Annual General Meeting 30 May 2024

**-ENDS-**

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

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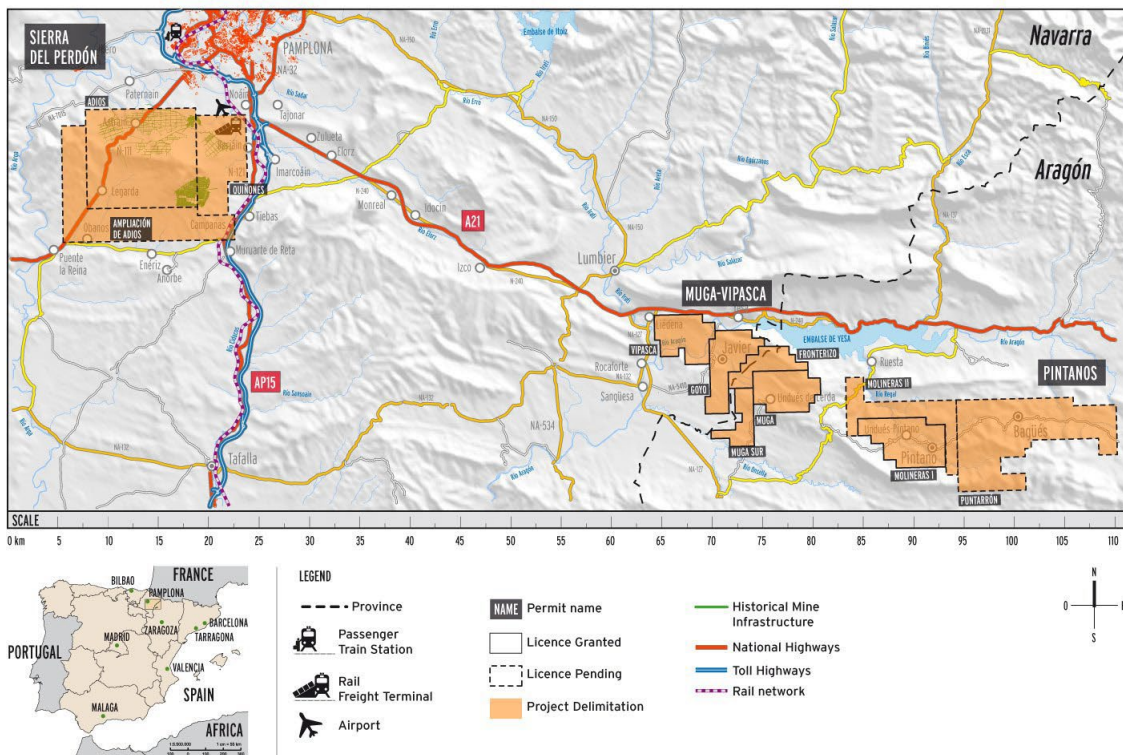
## About Highfield Resources

Highfield Resources is an ASX listed potash company which is focusing on the construction of its flagship low cost, low capex Muga Project in Spain, having been granted the Mining Concession in July 2021 and the construction licence in Aragón in June 2022, Muga now has all licences and permits to begin full scale construction.

Muga is a unique project – with shallow mineralization with no aquifers above it there is no need to build a shaft. There is quality and readily accessible infrastructure already in place in the region and importantly, the Muga Project is located in the heart of a European agricultural region which has a clear deficit in potash supply. In addition to its secure southern European location, since February 2022 events in Russia and Belarus have increased the awareness of the strategic value of the Muga project for both Spain and the European Union.

Highfield’s potash tenements (Muga-Vipasca, Pintanos, and Sierra del Perdón) are located in the Ebro potash producing basin in Northern Spain, covering an area of around 250km<sup>2</sup>.

## LOCATION OF MUGA-VIPASCA, PINTANOS, AND SIERRA DEL PERDÓN TENEMENT AREAS IN NORTHERN SPAIN.



## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

HIGHFIELD RESOURCES LIMITED

ABN

51 153 918 257

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development		
(c) production		
(d) staff costs	(737)	(737)
(e) administration and corporate costs	(1,040)	(1,040)
1.3 Dividends received (see note 3)		
1.4 Interest received	41	41
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST/VAT refunded)	264	264
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,472)</b>	<b>(1,472)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(85)	(85)
(d) exploration & evaluation (if capitalised)	(989)	(989)
(e) investments		
(f) other non-current assets		

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) 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>(1,074)</b>	<b>(1,074)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities	7,574	7,574
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(2,871)	(2,871)
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>4,703</b>	<b>4,703</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	14,084	14,084
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,472)	(1,472)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,074)	(1,074)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,703	4,703

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	15	15
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>16,256</b>	<b>16,256</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	16,256	14,084
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>16,256</b>	<b>14,084</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

288

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The above payments relate to fees and salaries paid to Directors during the quarter.



## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	
7.2	Credit standby arrangements	
7.3	Other (please specify)	33,644
7.4	<b>Total financing facilities</b>	33,644
7.5	<b>Unused financing facilities available at quarter end</b>	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
<p>Other financing facilities refer to the convertible note formalised in two tranches in May 2023 and December 2023 (refer ASX 23 May 2023, "Key Strategic Investment of A\$25m Secured" and ASX 22 December 2023 "Highfield secures US\$6 million to advance Muga potash mine toward construction", respectively) and subscribed by EMR Capital Management Ltd., Tectonic Investment Management and another institutional investor as the lenders.</p> <p>All the proceeds from the notes have been received by the end of this quarter.</p> <p>The debt will accrue interests (at a 14% per annum) that will be paid in kind via addition to the convertible notes amount and will mandatorily be converted into fully paid ordinary shares in the Company before the first drawdown of the €320.60 million senior loan facility secured with a group of international banks to fund the Muga Project.</p> <p>The notes are secured by a share pledge over all the shares in and shareholder loans to, the Spanish subsidiary, Geoalcali, S.L.U. which owns and is developing the Muga Project.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>	
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,472)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(989)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,461)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	16,256
8.5	Unused finance facilities available at quarter end (Item 7.5)	
8.6	Total available funding (Item 8.4 + Item 8.5)	16,256
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	6.61
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer:	
	2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

## 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.

Date: 30 April 2024

Authorised by: the Board of Highfield Resources Ltd.

(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.