



## June 2024 Quarterly Activities Report

### HIGHLIGHTS

- **Transformative proposed transaction to finance Muga and create a new globally diversified potash company recently announced**
- **Non-binding Letter of Intent for Cooperation signed with Yankuang Energy Group Co., Ltd (“Yankuang Energy”) and a number of strategic investors for proposed strategic cooperation to:**
  - **raise US\$220 million of equity capital by Highfield from strategic investors (“Cornerstone Placement”), and**
  - **acquire from Yankuang Energy the Southey potash project in Saskatchewan, Canada (“Southey Vend-in”) by way of a direct or indirect acquisition of 100% of the shares in Yancoal Canada (a subsidiary of Yankuang Energy). The Southey Vend-in and the Cornerstone Placement (together, the “Proposed Transaction”) are inter-conditional.**
- **Civil works contract signed with Acciona Construcción, S.A. (“Acciona”), a well-known Spanish international construction company with significant experience.**
- **Approximately two thirds of the planned construction budget has now been awarded, following the signing of the declines and underground mining infrastructure, and the civil works contract.**
- **Value of construction contracts awarded align with estimates in the Updated Muga Feasibility Study of 7 November 2023.**
- **Muga Potash project is construction ready, and is expected to be fully funded from completion of the Proposed Transaction.**
- **A\$10.3 million cash at bank at 30 June 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 in developing the world class Muga Potash mine (**Muga**), located in the Navarra Province, Spain for the quarter ended 30 June 2024.

Ignacio Salazar, the CEO and Managing Director of Highfield, said:

“As already anticipated, we are delighted to have reached an initial strategic understanding for the funding of Muga with a company with the reputation and the track record of Yankuang Energy. We are working hard to complete the transaction which will be subject to approvals. With the balance sheet strength and commercial track record of these partners, we expect to see significant value creating opportunities with Muga and beyond.



## 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.

### Strategic Financing Update

In July 2024, Highfield Resources entered into a non-binding Letter of Intent for Cooperation with Yankuang Energy and a number of strategic investors, for a proposed strategic cooperation that could transform Highfield into a globally diversified potash company and deliver the remaining funding for Phase 1 of the Muga potash project (refer ASX Announcement 19 July 2024, “LOI for Cooperation on Strategic Investment” and 23 July 2024 “Retraction”).

The Proposed Transaction would entail the raising of US\$220 million of equity capital by Highfield from strategic investors under a Cornerstone Placement as well as the Southey Vend-in, which is the acquisition from Yankuang Energy of the Southey potash project in Saskatchewan, Canada by way of a direct or indirect acquisition of 100% of the shares in Yancoal Canada (a subsidiary of Yankuang Energy), further detail below. The Southey Vend-in and the Cornerstone Placement are inter-conditional.

### **Strategic Rationale and Key Highlights of Proposed Transaction**

- Muga, which is construction-ready, is expected to be fully funded from completion of the Proposed Transaction.
- Establishing a leading pure play potash company with a diversified portfolio of projects in tier-1 jurisdictions underpinned by strong ESG credentials.
- Opportunity to unlock significant value with the support from a strong shareholder base and the establishment of a partnership with Yankuang Energy, a leading diversified Chinese energy company, with deep global connections and financial resources who is committed to support Highfield’s growth and development. Additional synergies and value creation opportunities expected from partnering with the strategic investors.

### **Overview of Proposed Transaction**

#### Cornerstone Placement:

- Highfield proposes to issue to Yankuang Energy and a number of strategic investors new Highfield ordinary shares.
- The Cornerstone Placement is expected to raise an aggregate of US\$220 million, with proceeds to be used for funding of the Muga Phase 1 project.
- Yankuang Energy intends to provide up to US\$90 million to support the Cornerstone Placement with the other strategic investors providing at least US\$130 million. In the event the other strategic investors subscribe for more than US\$130 million before signing of final agreement or completion of the Cornerstone Placement, the amount subscribed by Yankuang Energy will reduce accordingly.



## Southey Vend-in:

- Highfield proposes to acquire the Southey potash project in Canada held by Yancoal Canada by way of a direct or indirect acquisition of 100% of the shares in Yancoal Canada, with the issue of new ordinary shares of Highfield as consideration.

The above final transaction price will be subject to, among other things, the due diligence conducted by parties, the appraisal result stated in the relevant appraisal report finally issued by a qualified Peoples Republic of China appraisal firm (which is reviewed by and recorded with the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) or its authorized agency and negotiation between the parties.

## Civil Works and Urbanization Contract

As announced in the Updated 2023 Feasibility Study (refer ASX Announcement 7 November 2023, “Updated Muga 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 signed a contract for the construction of the Civil Works and Urbanization with Acciona (refer ASX 30 April 2024, “Contract Signed for Construction of Civil Works at Muga”)

The Acciona lump-sum based contract value (€56.9 million) is in line with the estimated capital cost included in the Updated 2023 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**

During the June quarter global potash prices remained stable with Granular MOP prices in Europe staying around the €330/t to €370/t range<sup>1</sup>. Sentiment in South-East Asia was slightly more bullish with prices moving up slightly in that region.

## **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 30 June 2024, the Company had A\$10.3 million in cash. Operating cash outflows during the period at A\$2.0m were up by 41% compared to the previous quarter due to general admin costs, financial advisors’ fees, as well as independent consultant fees to carry out due diligence on the Southey Project in Canada. Investing cash outflows were higher by A\$322k (at A\$1.4 million) due to partial payment of the construction tax to the Townhall of Sanguesa and the downpayment to the Spanish utility company, Iberdrola, to secure

<sup>1</sup> Based on discussions with traders and potash buyers in Europe.

# ASX ANNOUNCEMENT

30 July 2024

**Highfield**  
Resources



ASX:HFR

electricity during construction and operations for Muga Phase 1. Financing cash outflows at A\$2.4 million primarily related to the quarterly payment of the Project Finance facility commitment fees. The total cash outflow during the quarter was A\$5.9 million.

## Annual General Meeting

All resolutions were carried via poll at the Annual General Meeting held on 30 May 2024 (refer ASX announcement 30 May 2024, "Results of Meeting").

## **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\$286k, relate to salaries and fees paid to executive and non-executive Directors during the quarter.

**-ENDS-**

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

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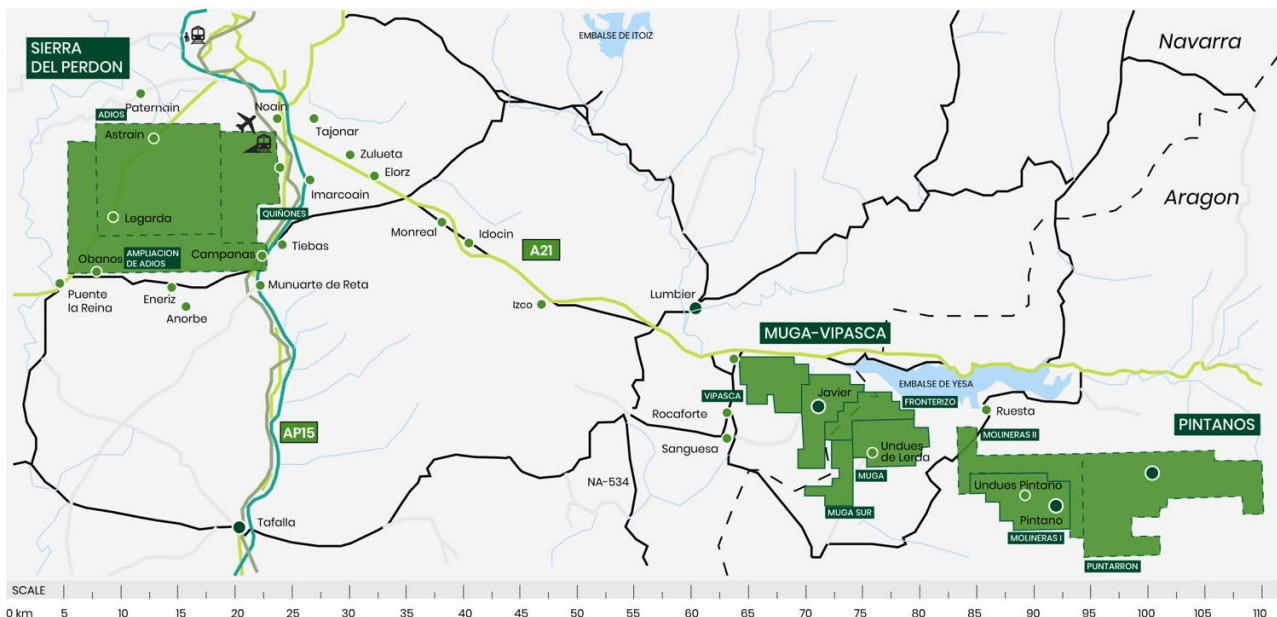
**About Highfield Resources**

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.

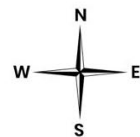
Highfield’s potash tenements (Muga-Vipasca, Pintanos, and Sierra del Perdón) are located in the Ebro potash producing basin in Northern Spain, covering an area of around 250km<sup>2</sup>.

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



**LEGEND**

- Province
- Passenger Train Station
- Rail Freight Terminal
- Airport
- NAME** Permit Name
- Licence Granted
- Licence Pending
- Project Delimitation
- Historical Mine Infrastructure
- National Highways
- Toll Highways
- Rail Network



## 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")

30 June 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<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	(721)	(1,458)
(e) administration and corporate costs	(1,525)	(2,565)
1.3 Dividends received (see note 3)		
1.4 Interest received	37	78
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)	130	394
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,079)</b>	<b>(3,551)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(24)	(109)
(d) exploration & evaluation (if capitalised)	(1,372)	(2,361)
(e) investments		
(f) other non-current assets		

<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) 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 Net cash from / (used in) investing activities</b>	<b>(1,396)</b>	<b>(2,470)</b>

<b>3. 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
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	(2,443)	(5,314)
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(2,443)</b>	<b>2,260</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	16,256	14,084
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,079)	(3,551)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,396)	(2,470)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(2,443)	2,260

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(79)	(64)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>10,259</b>	<b>10,259</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	10,259	16,256
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>10,259</b>	<b>16,256</b>

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

- |     |   | <b>Current quarter<br/>\$A'000</b> |
|-----|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 286                                |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 |                                    |

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. 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)	7,574	7,574
<b>7.4 Total financing facilities</b>		

**7.5 Unused financing facilities available at quarter end**

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.

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.

All the proceeds from the notes were received by the end of the first quarter of the year.

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.

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.

<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)	(2,079)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,372)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,451)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	10,259
8.5 Unused finance facilities available at quarter end (Item 7.5)	
8.6 Total available funding (Item 8.4 + Item 8.5)	10,259
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	2.97

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- 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:

- 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 July 2024

Authorised by: the Board of Highfield Resources Limited

(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.