



September 2024 Quarterly Activities Report

HIGHLIGHTS

- At the start of the quarter the Highfield Resources Ltd had entered into a non-binding Letter of Intent for Cooperation with Yankuang Energy Group Co., Ltd (Yankuang Energy) and a number of strategic investors, in relation to a proposed strategic cooperation that would transform Highfield into a globally diversified potash company and deliver the remaining funding for Phase 1 (refer ASX 19 July 2024, “LoI for Cooperation on Strategic Investment”)¹
- Following the Letter of Intent the Company progressed the strategic deal and Highfield entered into binding agreements (the Transaction) in September with Yankuang Energy and a number of strategic investors including Beijing Energy International Holding Co., Ltd (Beijing Energy) and Singapore Taizhong Global Development Pte. Ltd. (Taizhong) (refer ASX 24 September 2024, “Creation of a New Globally Diversified Potash Company”)
 - The Transaction comprises the raising of US\$220 million in equity capital by Highfield from Yankuang Energy and the strategic investors (Cornerstone Placement) and the inter-conditional acquisition from Yankuang Energy of the Southey potash project in Saskatchewan, Canada (Southey Vend-in) by way of the direct or indirect acquisition of 100% of the shares in Yancoal Canada Resources (a subsidiary of Yankuang Energy) (Yancoal Canada)
- After announcing the Transaction Highfield successfully completed an institutional placement which comprised a placement to institutional investors to raise US\$11.0 million (equivalent to A\$16.4 million²) at an offer price of A\$0.2989 per New Share with US\$5.0 million (equivalent to A\$7.5 million²) of this amount committed by EMR Capital Resources Funds III, LP, acting by its general partner EMR Capital GP III Limited or its nominee (being an entity managed by EMR Capital and affiliated with the EMR Shareholders) (EMR Subscriber) with such committed amount being conditional on approval of the Company's shareholders at an extraordinary general meeting.
- In October following the Institutional Placement, Highfield completed its share purchase plan and completed the issuance of a further US\$4.0 million (equivalent to ~A\$6 million²) worth of new ordinary shares in the Company (New Shares) at an offer price of A\$0.2989 per New Share under the unconditional component of its Institutional Placement (refer ASX 17 October 2024, “SPP Complete and Additional US\$4m Received via Placement”).
- A\$13.56 million cash at bank at 30 September 2024.

¹ Following this announcement Highfield issued a retraction statement announced on the 23 July 2024 (“ASX Retraction Statement”).

² 1 Based on a AUD/USD exchange rate of 0.67.



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 northern Spain for the quarter ended 30 September 2024.

PROJECT UPDATE

Finance Update

At the start of the quarter Highfield had entered into a non-binding Letter of Intent for Cooperation with Yankuang Energy and a number of strategic investors, in relation to a proposed strategic cooperation that would transform Highfield into a globally diversified potash company and deliver the remaining funding for Phase 1.

Highfield announced that it has entered into binding agreements with Yankuang Energy and a number of strategic investors including Beijing Energy and Singapore Taizhong, in relation to a transaction which is expected to transform Highfield into a globally diversified potash company and deliver the remaining funding for Phase 1 of the Muga potash project.

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

Strategic Rationale and Key Highlights of the Transaction

- The construction-ready Muga Phase 1 project is expected to be fully funded from completion of the Transaction.
- Establishing, with the addition of Southey, a leading pure play potash company with a diversified portfolio of projects in tier-1 jurisdictions underpinned by strong ESG credentials.
- An experienced leadership team with a proven track record in project development.
- Attractive premium benefiting Highfield shareholders, with new fully paid ordinary shares in the Company (Shares) to be issued by Highfield for both the Southey Vend-in and Cornerstone Placement at a price of A\$0.50 per Share, being a:
 - o 64% premium to last close price of the Shares on ASX on 18 July 2024, representing the undisturbed price; and
 - o 63% premium to 30-day volume weighted average price of Shares on ASX as of 18 July 2024.
- Opportunity to unlock significant value with the support from a strong shareholder base
 - o the establishment of a partnership with Yankuang Energy, a leading diversified Chinese energy company, with deep global connections and financial resources which is committed to support Highfield's growth and development.
 - o Additional synergies and value creation opportunities expected from partnering with Beijing Energy, Taizhong and other investors.

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After announcing the Transaction, Highfield successfully completed an institutional placement which comprised a placement to institutional investors to raise US\$11.0 million (equivalent to A\$16.4 million²) (Institutional Placement) at an offer price of A\$0.2989 per New Share with US\$5.0 million (equivalent to A\$7.5 million²) of this amount committed by EMR Capital Resources Funds III, LP, acting by its general partner EMR Capital GP III Limited or its nominee (being an entity managed by EMR Capital and affiliated with the EMR Shareholders) (EMR Subscriber) with such committed amount being conditional on approval of the Company's shareholders at an extraordinary general meeting.

In October following the Institutional Placement, Highfield completed its share purchase plan and completed the issuance of a further US\$4.0 million (equivalent to ~A\$6 million²) worth of new ordinary shares in the Company (New Shares) at an offer price of A\$0.2989 per New Share under the unconditional component of its Institutional Placement (refer ASX 17 October 2024, "SPP Complete and Additional US\$4m Received via Placement").

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.

The Government of Navarra has received an adverse court decision in relation to the Goyo mining concession. The court decision identified an arguable formality error in the internal government coordination process in relation to the granting the mining concession. Goyo is one of the three Muga mining concessions and production from its mineralization is only expected to happen after year 6 in the mine plan.

The Company has received confirmation from the Government of Navarra that it is analyzing the ruling in order to resolve the situation.

The Company is currently in discussions with the mining authorities and, while there can be no guarantees, the Company is confident of a swift and favourable resolution to this procedural flaw by the administration.

Distributed Control System Contract

The Muga-Vipasca Potash Project includes the need of a Distributed Control System (DCS) to efficiently manage the plant and the mine. Highfield has signed a contract for DCS with Schneider Electric System Ibérica S.L.U.

The Schneider Electric Systems lump-sum based contract value (€2.35 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").

POTASH MARKET

Global potash prices have stabilized with Granular MOP prices in Europe staying around €330/t to €340/t. Demand for potash is at an all-time high globally but supply from Russia and Belarus has come back strongly and is keeping a cap on prices.

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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 September 2024, the Company's cash balance was A\$13.6 million. Operating cash outflows during the period at A\$2.3m were up by A\$0.2m when compared to the previous quarter. On the contrary, investing cash outflows at A\$0.8m were down by A\$0.6m because of the lower development activity carried out during the period.

Net cash movement stemming from financing activities was positive primarily due to proceeds from the unconditional placement that resulted in a cash injection of A\$8.7m. Partially offsetting this, commitment fees were paid to the project finance senior lenders at A\$2.4m.

Net cash movement in the quarter was therefore positive at A\$3.2m.

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.

Q4 2024 ACTIVITIES

- Advance the strategic financing process
- Construction readiness planning
- Global investor relations plan

-ENDS-

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

For more information, contact:

Ignacio Salazar
Chief Executive Officer

+34 948 050 577

office@highfieldresources.com.au

Olivier Vadillo
Investor Relations – Global

+34 609 811 257

office@highfieldresources.com.au

Elvis Jurcevic
Investor Relations – Australia

+61 408 268 271

ej@highfieldresources.com.au



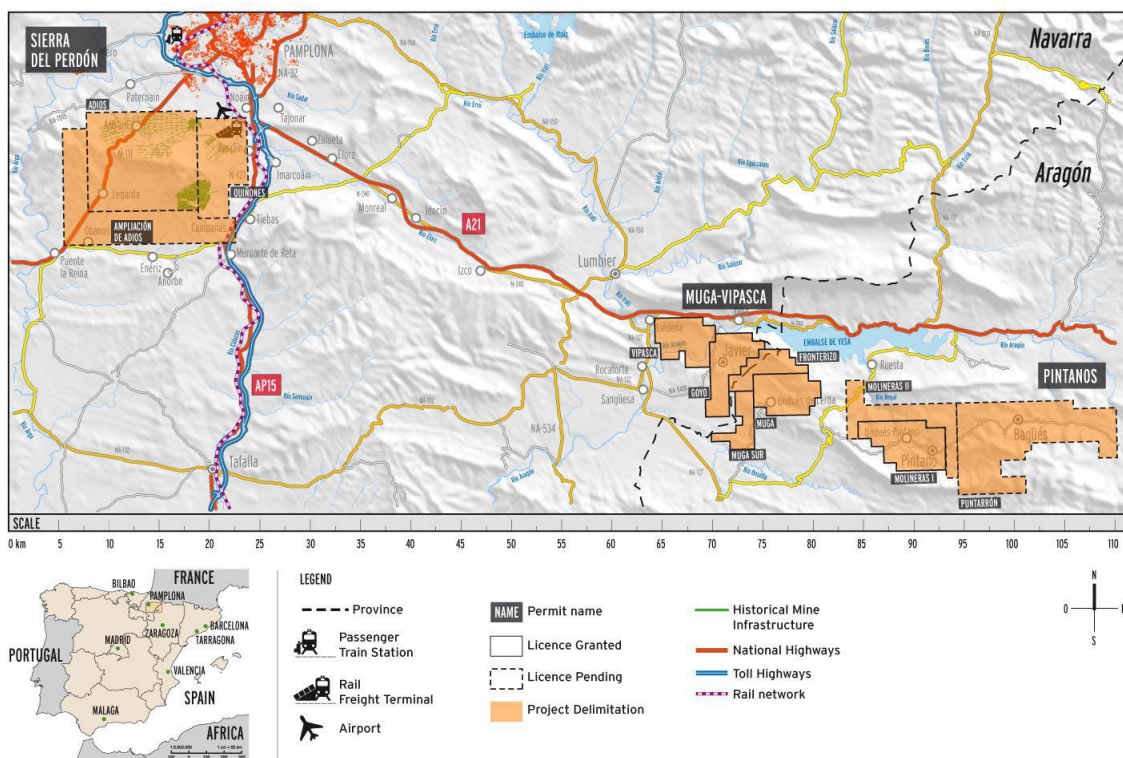
About Highfield Resources

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, Pintos, and Sierra del Perdón) are located in the Ebro potash producing basin in Northern Spain, covering an area of around 250km².

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



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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 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development		
(c) production		
(d) staff costs	(725)	(2,183)
(e) administration and corporate costs	(1,788)	(4,353)
1.3 Dividends received (see note 3)		
1.4 Interest received	31	109
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)	187	581
1.9 Net cash from / (used in) operating activities	(2,295)	(5,846)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		(109)
(d) exploration & evaluation (if capitalised)	(805)	(3,166)
(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 (9 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)		
2.6	Net cash from / (used in) investing activities	(805)	(3,275)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,955	8,955
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	(213)	(213)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(2,420)	(7,734)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	6,323	8,583

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,259	14,084
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,295)	(5,846)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(805)	(3,275)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,323	8,583

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	78	14
4.6	Cash and cash equivalents at end of period	13,560	13,560

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	13,560	10,259
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)	13,560	10,259

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**

286

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

7. Financing facilities

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	7,574	7,574

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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,295)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(805)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,100)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	13,560
8.5 Unused finance facilities available at quarter end (Item 7.5)	
8.6 Total available funding (Item 8.4 + Item 8.5)	13,560
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	4.37

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: 23 October 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.