HIGHFIELD RESOURCES LIMITED
ACN 153 918 257

NOTICE OF EXTRAORDINARY GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting
Thursday, 20 March 2025

Time of Meeting
4:30pm (Adelaide, Australia time)

Place of Meeting
The Meeting will be held virtually by the online platform accessible at investor.automic.com.au. Registration will open online from 4:00pm (Adelaide, Australia time)

The business of the Meeting affects your shareholding and your vote is important.

This Notice and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

The Company strongly encourages all Shareholders to lodge a directed proxy vote prior to the cut-off date for proxy voting as set out in the Notice. To lodge your proxy, please follow the directions on your personalised proxy form, delivered to you by email or post (depending on your communication preferences).

The Company is happy to answer questions prior to the close of proxy voting via email, such questions should be sent to the following email address meetings@automicgroup.com.au.

IMPORTANT NOTICES

Purpose of this Explanatory Memorandum

This Explanatory Memorandum has been prepared for persons shown in the Company's register of shareholders as holding Shares. If you have recently sold all of your Shares, please disregard this Explanatory Memorandum.

This Explanatory Memorandum has been prepared in connection with the Resolutions to be voted on by Shareholders at the Meeting to be held at 4:30pm (Adelaide, Australia time) on Thursday, 20 March 2025. The purpose of this Explanatory Memorandum is to provide Shareholders with information that the Directors believe to be material to deciding whether or not to vote in favour of the Resolutions detailed in the Notice of Meeting. You should review all of the information in this Explanatory Memorandum carefully.

Defined terms

A number of defined terms are used in this Explanatory Memorandum. These terms are defined in Section 6. The Independent Expert's Report annexed to this Explanatory Memorandum as Annexure A has its own defined terms.

No investment advice

The information contained in this Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your individual investment objectives, financial situation, taxation position or particular needs. It is important that you read this Explanatory Memorandum in its entirety before making any decision as to whether or not to vote in favour of the Resolutions. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

Not an offer

This Explanatory Memorandum does not constitute or contain an offer to Shareholders, or a solicitation of an offer from Shareholders, in any jurisdiction.

Disclaimer as to forward-looking statements

Certain statements which appear in this Explanatory Memorandum (including in the Independent Expert's Report) may be in the nature of forward-looking statements. Forward-looking statements generally may be identified by the use of forward-looking words such as “believe”, “aim”, “expect”, “anticipate”, “intending”, “foreseeing”, “likely”, “should”, “planned”, “may”, “estimate”, “potential”, or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of Highfield, YK or Yancoal Canada are or may be forward-looking statements.

Forward-looking statements should not be taken to be forecasts or predictions that events will occur or that objectives, plans, goals, intentions or expectations will be achieved. Such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the Highfield Group, YK and Yancoal Canada and/or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and deviations are both normal and to be expected. Neither Highfield nor YK, nor any of their respective affiliates, officers, directors, employees or advisers or any person named in this Explanatory Memorandum or involved in the preparation of this Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed

or implied in any forward-looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Explanatory Memorandum reflect opinions held only at the date of this Explanatory Memorandum. Subject to any continuing obligations under relevant laws or the Listing Rules, Highfield, YK and their respective affiliates, officers, directors, employees and advisers, disclaim any obligation or undertaking to update or revise any such statements after the date of this Explanatory Memorandum, to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Highfield has prepared, and is responsible for, the Highfield Information. Neither YK nor any of its affiliates or their respective officers, directors, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

YK has prepared, and is responsible for, the YK Information. Neither Highfield nor any of its affiliates, officers, directors, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

Grant Thornton has prepared the Independent Expert's Report which is annexed to the Explanatory Memorandum as Annexure A and takes responsibility for that report. Neither Highfield nor YK, nor any of their respective affiliates, officers, directors, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report. The Independent Expert's Report is set out in Annexure A to this Explanatory Memorandum.

Automic has had no involvement in the preparation of any part of this Explanatory Memorandum, other than being named as the Share Registry. Automic has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this document.

Ore Reserves and Mineral Resource estimates for the Muga Project and other Spanish assets

The Mineral Resource and Ore Reserve estimates for the Muga Project and other Spanish assets are extracted from the following Highfield ASX market announcements:

- **Muga Project Ore Reserve** "*Updated Ore Reserve Estimate for The Muga-Vipasca Potash Project – Mining and Geological Characteristics Reconfirmed*" dated 23 November 2021
- **Muga Project Mineral Resource Estimate:** "*Annual Report – 31 December 2020 (ASX Additional Information)*" dated 30 March 2021
- **Sierra del Perdon Mineral Resource: "***Highfield Resources Delivers Maiden Resource Estimate for Second Spanish Potash Project"* dated 7 April 2015
- **Pintanos Mineral Resource**: "*Annual Report – 31 December 2017 (ASX Additional Information)*" dated 28 September 2017

Highfield confirms that it is not aware of any new information or data that materially affects the information included in those announcements and that all material assumptions and technical parameters underpinning the relevant Ore Reserve or Mineral Resource estimates in those announcements continue to apply and have not materially changed.

Exploration Targets estimates for the Muga Project and other Spanish assets

The information in this document that relates to the Exploration Target for the Muga Project is based on information compiled by Ms Anna Fardell, a Competent Person who is a registered member of the Australian Institute of Geoscientists (6555). Ms Anna Fardell was employed by SRK Consulting (UK) Limited at the time the information was compiled.

Ms Anna Fardell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Ms Anna Fardell consents to the inclusion in this document of the Exploration Target for the Muga Project in the form and context in which it appears.

The information in this document that relates to the Exploration Target for the Pintanos Project is based on information compiled by Mr. José Antonio Zuazo Osinaga, a Competent Person who is a registered member of the European Federation of Geologists. Mr. José Antonio Zuazo Osinaga is employed by CRN, S.A.

Mr. José Antonio Zuazo Osinaga has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Mr. José Antonio Zuazo Osinaga consents to the inclusion in this document of the Exploration Target for the Pintanos Project in the form and context in which it appears.

Competent Person Statement for Southey Mineral Resource and Southey Ore Reserves

The information in this document that relates to the Mineral Resource estimates for the Southey Project is based on information compiled by Deliang Han, a Competent Person who is a Professional Geologist of the Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS), with registration #23270. Deliang Han is employed by Agapito Associates LLC.

Deliang Han has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Deliang Han consents to the inclusion in this document of the matters based on their information in the form and context in which it appears.

The information in this document that relates to the Ore Reserve estimates for the Southey Project is based on information compiled by Messrs' Biao Qiu, David M. Robson, and Arun Vathavooran. Biao Qiu and David M. Robson are both Professional Engineers licensed by APEGS (registration #35995, and #13601, respectively). Arun Vathavooran is a certified engineer with Engineers Council UK (registration #579205) and a Fellow of the Institute of Materials, Minerals, and Mining (registration #444570). David M. Robson is employed by SLR Consulting (Canada) Ltd. Biao Qiu is employed by Agapito Associates LLC. Arun Vathavooran is employed by SLR Consulting Limited.

Messrs' Biao Qiu, David M. Robson, and Arun Vathavooran have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Messrs' Biao Qiu, David M. Robson, and Arun Vathavooran consent to the inclusion in this document of the matters based on their information in the form and context in which it appears.

Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Explanatory Memorandum has been prepared in accordance with Australian law and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations outside of Australia.

Regulatory information

A copy of this Explanatory Memorandum has been provided to ASIC and ASX.

None of ASIC or ASX or their officers, take any responsibility for the contents of this Explanatory Memorandum.

Effect of rounding

Figures, amounts, percentages, estimates, calculations of value and fractions in this Explanatory Memorandum are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Explanatory Memorandum.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the date of this Explanatory Memorandum. Any discrepancies in any chart, graph or table between totals and sums of amounts presented or listed therein or to previously published financial figures are due to rounding.

Times and dates

Unless otherwise stated, all times and dates referred to in this Explanatory Memorandum are to times and dates in Adelaide, Australia. All times and dates are indicative only and are subject to the satisfaction (or, where capable, waiver) of the Conditions Precedent to the implementation of the Southey Vend-in. The Conditions Precedent are summarised in Section 4.1.3 and set out in full in Schedule 3 of the Implementation Agreement.

Currency and exchange

Unless otherwise stated, all references to "dollars" or "$" in this Explanatory Memorandum are in Australian Dollars and all share prices and trading volumes refer to Shares trading on the ASX.

Date of this Explanatory Memorandum

This Explanatory Memorandum is dated 19 February 2025.

CHAIRMAN'S LETTER

Dear Highfield Shareholders,

Highfield Resources Limited (**Highfield**, **HFR** or the **Company**) will hold an Extraordinary General Meeting at 4:30pm (Adelaide, Australia time) on Thursday, 20 March 2025, via the online platform accessible at investor.automic.com.au, for the purpose of transacting the business set out in the Notice of Meeting, being the approval of the proposed transactions which the Company has entered into with Yankuang Energy Group Co., Ltd (as further described below, **YK**), Beijing Energy International Holding Co., Ltd (**Beijing Energy**) and Singapore Taizhong Global Development Pte. Ltd. (**Taizhong**), which are expected to transform the Company into a globally diversified potash company and deliver the remaining funding for Phase 1 of the Muga potash project (as further described below, the **Proposed Transactions**).

The Proposed Transactions comprise:

(a) the acquisition by Highfield of the Southey potash project in Saskatchewan, Canada by way of the (direct or indirect) acquisition of 100% of the shares in Yancoal Canada Resources Co., Ltd (**Yancoal Canada**), a subsidiary of YK, in consideration for the issue of the Consideration Shares to YK[1] (the **Southey Vend-in**);

(b) the raising of US$220 million (equivalent to approximately A$328.4 million[2]) in equity capital by the Company from YK[1] and the Other Strategic Investors (including Beijing Energy and Taizhong) (**Cornerstone Placement**); and

(c) the appointment of YK's nominee directors to the Highfield Board (so that YK's nominee directors comprise a majority of the Highfield Board) and the appointment of Beijing Energy's nominee director to the Highfield Board (**Director Appointments**),

and certain ancillary matters each as further outlined in the Explanatory Memorandum.

The Proposed Transactions are inter-conditional such that:

(a) the Southey Vend-in will not proceed unless both the Cornerstone Placement is completed and the Director Appointments are approved;

(b) the Cornerstone Placement will not proceed unless both the Southey Vend-in is completed and the Director Appointments are approved; and

(c) the Cornerstone Placement and the Southey Vend-in will not be completed unless the Director Appointments are approved.

The Proposed Transactions are also conditional on a number of other matters being satisfied, as described in the Explanatory Memorandum, including the approval by Shareholders of certain resolutions in connection with the Proposed Transactions, as set out in the Notice of Meeting.

The Directors recommend that Shareholders read the Notice of Meeting and the Explanatory Memorandum, which forms part of the Notice of Meeting and which contains a detailed explanation of the background and reasons for the Proposed Transactions, in full before making any decision in relation to the resolutions which are set out in the Notice of Meeting.

[1] Under the Implementation Agreement, Yankuang Energy Group Co., Ltd. may nominate a subsidiary to receive the Consideration Shares and YK Cornerstone Shares and YK has advised that it intends to nominate YK Hong Kong, and, accordingly, references in this document to YK in connection with the acquisition of the Consideration Shares and YK Cornerstone Shares and the intentions of YK as the holder of the Consideration Shares and YK Cornerstone Shares shall refer to YK Hong Kong.

[2] Assuming the Exchange Rate of 1 AUD : 0.64 USD.

Shareholders will be able to join the Meeting virtually, vote in real time, ask questions and make comments online. The Meeting will be webcast live at via the online platform accessible at investor.automic.com.au. Information on how to participate through the online platform is provided in Section 3 of this document. If it becomes necessary to make alternative arrangements with respect to any aspect of the Meeting, we will advise Shareholders through the HFR Website and by making an announcement to the ASX.

Alternatively, you can vote by appointing a proxy by completing the Proxy Form enclosed with the Notice of Meeting and Explanatory Memorandum or by lodging your proxy online at https://investor.automic.com.au/#/loginsah in accordance with the instructions therein (as applicable) so that it is received by no later than 4:30pm (Adelaide, Australia time) on Tuesday, 18 March 2025.

The Directors unanimously recommend that you vote in favour of all Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Southey Vend-in and Cornerstone Placement to YK are fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders in the absence of a Superior Proposal. Subject to the same condition and the applicable voting exclusions, each Director intends to vote any Shares they hold or control in favour of the Resolutions. As at the date of this Notice of Meeting, the Directors hold or control approximately 0.18% of the Shares on issue in aggregate.

This Explanatory Memorandum contains information on the Proposed Transactions for you to consider before voting, including advantages, disadvantages and risks associated with the Proposed Transactions.

The interests of Directors in Shares, and in the Proposed Transactions, are disclosed in Section 4.2.4(j) of the Explanatory Memorandum. Shareholders should have regard to these interests when considering the Directors' unanimous recommendation in respect of the Proposed Transactions, which appears throughout the Explanatory Memorandum.

Unless defined in the Notice of Meeting, capitalised terms used in this letter or the Notice of Meeting are defined in the Glossary of the Explanatory Memorandum.

Paul Harris
Chairman
Highfield Resources Limited

KEY DATES

Date of this Notice of Meeting	Wednesday, 19 February 2025
Deadline for receipt of Proxy Form	4:30pm (Adelaide, Australia time) on Tuesday, 18 March 2025
Record date for determining eligibility to vote at the Meeting	7.00pm (Adelaide, Australia time) on Tuesday, 18 March 2025
Time and date of the Meeting	4:30pm (Adelaide, Australia time) on Thursday, 20 March 2025
If all of the Resolutions are approved by the Shareholders and all other Condition Precedents are satisfied or waived (if capable of being waived):	
Expected date for completion of the Proposed Transactions	First half of calendar 2025[3]

The above dates are subject to change and are indicative only. Highfield reserves the right to vary the dates and times. Any changes to the above timetable will be announced through the ASX companies announcement platform.

[3] The Proposed Transactions will not proceed unless all of the Conditions Precedent are satisfied (or waived, if applicable) before 31 March 2025 (or such later date as may be agreed by YK) in accordance with the Implementation Agreement

1. IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS

Set out below is table of frequently asked questions relating to the Proposed Transactions and details of where you can find further information about the Proposed Transactions within the Notice of Meeting. The information set out below should be read in conjunction with the entire Notice of Meeting before you decide how to vote on the Resolutions relating to the Proposed Transactions.

Question	Answer	Further information
Why have I received this Explanatory Memorandum?	This Explanatory Memorandum has been sent or made available to you because you are a Shareholder and you are being asked to vote on the Resolutions. This Explanatory Memorandum is intended to help you decide how to vote on the Resolutions, all of which need to be passed at the Meeting to allow the Proposed Transactions to proceed.	**N/A**
What are the Proposed Transactions?	The Proposed Transactions comprise: (a) the Cornerstone Placement, which is the raising of US$220 million in equity capital by the Company from YK[4] and the Other Strategic Investors; (b) the Southey Vend-in, which is the acquisition by Highfield of the Southey potash project in Saskatchewan, Canada by way of the direct or indirect acquisition of 100% of the shares in Yancoal Canada in consideration for the issuance of the Consideration Shares to YK[4]; and (c) the Director Appointments, being the appointment of YK's nominee directors to the Highfield Board (so that YK's nominee directors comprise a majority of the Highfield Board) and the appointment of Beijing Energy's nominee director to the Highfield Board, and certain ancillary matters described in the Explanatory Memorandum. The Proposed Transactions are inter-conditional such that: ▪ the Southey Vend-in will not proceed unless both the Cornerstone Placement is completed and the Director Appointments are approved;	**Section 4.1**

[4] Under the Implementation Agreement, Yankuang Energy Group Co., Ltd. may nominate a subsidiary to receive the Consideration Shares and YK Cornerstone Shares and YK has advised that it intends to nominate YK Hong Kong, and, accordingly, references in this document to YK in connection with the acquisition of the Consideration Shares and YK Cornerstone Shares and the intentions of YK as the holder of the Consideration Shares and YK Cornerstone Shares shall refer to YK Hong Kong.

Question	Answer	Further information
	▪ the Cornerstone Placement will not proceed unless both the Southey Vend-in is completed and the Director Appointments are approved; and ▪ the Cornerstone Placement and the Southey Vend-in will not be completed unless the Director Appointments are approved.	
What are the Directors' voting recommendations and how do the Directors intend to vote?	The Board unanimously recommends that Shareholders vote in favour of the Resolutions at the Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Southey Vend-in and Cornerstone Placement to YK are fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders in the absence of a Superior Proposal. Each Director intends to vote (or procure the voting of) all Shares held or controlled by them in favour of the Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Southey Vend-in and Cornerstone Placement to YK are fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders in the absence of a Superior Proposal. The interests of Directors in Shares, and in the Proposed Transactions, are disclosed in Section 4.2.4(j) of the Explanatory Memorandum. Shareholders should have regard to these interests when considering the Directors' unanimous recommendation in respect of the Proposed Transactions, which appears throughout the Explanatory Memorandum.	**Section 4.1.5** provides a summary of the reasons why the Directors consider that Shareholders should vote in favour of the Resolutions to approve the Proposed Transactions **Section 4.1.6** provides a summary of some of the reasons why Shareholders may wish to vote against the Resolutions to approve the Proposed Transactions **Section 4.2.4(j)** sets out the Directors interests in Shares and in the Proposed Transactions
What are the risks associated with the Proposed Transactions?	There are a number of risks associated with the Proposed Transactions. Shareholders should consider these risks prior to deciding whether to vote in favour of the Resolutions.	**Section 4.1.7**
What is the opinion of the Independent Expert in respect of the Southey Vend-in and Cornerstone Placement to YK?	The Board has commissioned the Independent Expert, Grant Thornton, to prepare the Independent Expert's Report in relation to the Southey Vend-in and the Cornerstone Placement to YK. The Independent Expert has concluded that the Southey Vend-in and the Cornerstone Placement to YK is **not fair but reasonable** and therefore **in the best interests of Shareholders** in the absence of a Superior Proposal.	**Annexure A**

Question	Answer	Further information
	A complete copy of the Independent Expert's Report is included in Annexure A to this Explanatory Memorandum.	
When will the Proposed Transactions be completed?	Subject to satisfaction (or, where capable, waiver) of the Conditions Precedent to the Implementation Agreement, including obtaining Shareholder approval for the Resolutions in this Notice of Meeting, it is expected that the Proposed Transactions will be completed in the first half of calendar year 2025[5].	**Section 4.1**
What are Shareholders being asked to vote on?	Shareholders are being asked to vote on the Resolutions. Explanations of the Resolutions relating to the Proposed Transactions are set out in Section 4.	**Section 4** and this **Notice of Meeting**
What vote is required to approve the Proposed Transactions?	All Resolutions to be considered at the Meeting are Ordinary Resolutions and all must be passed for the Proposed Transactions to proceed. In order for an ordinary resolution to be passed, more than 50% of the votes cast on the resolution by Shareholders entitled to vote on the resolution must be cast in favour of the resolution.	**Notice of Meeting**
Why should I vote in favour of the Resolutions to approve the Proposed Transactions?	Section 4.1.5 sets out a number of reasons to vote in favour of the Resolutions.	**Section 4.1.5**
Why may I consider voting against the Resolutions to approve the Proposed Transactions?	Section 4.1.6 sets out a number of reasons why you may wish to vote against the Resolutions.	**Section 4.1.6**
Am I entitled to vote?	Each Shareholder who is registered on the Share Register at 7.00pm (Adelaide, Australia time) on Tuesday, 18 March 2025 is entitled to vote at the Meeting.	The **Notice of Meeting** sets out further details on your entitlement to vote
How do I vote?	You can vote: • in person by attending the Meeting; or • by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate	The **Notice of Meeting** sets out further details on your entitlement to

[5] The Proposed Transactions will not proceed unless all of the Conditions Precedent are satisfied (or waived, if applicable) before 31 March 2025 (or such later date as may be agreed by YK) in accordance with the Implementation Agreement.

Question	Answer	Further information
	representative, to attend the Meeting and vote on your behalf. Shareholders will also be able to join the Meeting virtually, vote in real time, ask questions and make comments online. The Meeting will be webcast live via the online platform accessible at investor.automic.com.au. You can appoint a proxy by completing the Proxy Form enclosed with this Notice of Meeting and Explanatory Memorandum or by lodging your proxy online at https://investor.automic.com.au/#/loginsah in accordance with the instructions therein (as applicable) so that it is received by no later than 4:30pm (Adelaide, Australia time) on Tuesday, 18 March 2025.	vote and how to submit a Proxy Form
Where and when will the Meeting be held?	The Meeting will be held virtually at 4:30pm (Adelaide, Australia time) on Thursday, 20 March 2025 via the online platform accessible at investor.automic.com.au. Shareholders will also be able to join the Meeting virtually, vote in real time, ask questions and make comments online. If it becomes necessary to make alternative arrangements with respect to any aspect of the Meeting, Highfield will advise Shareholders through the HFR Website and by making an announcement to the ASX.	The **Notice of Meeting** sets out further details of your entitlement to vote
When will the results of the Meeting be known?	Highfield expects to announce the results of the Meeting to the ASX shortly after the conclusion of the Meeting.	**N/A**
Are there any conditions to be satisfied for the Proposed Transactions to be completed?	There are certain conditions that will need to be satisfied or waived (where capable of waiver) before the Southey Vend-in and the Cornerstone Placement can be completed, details of which are set out in Sections 4.1.3 and 4.1.4. Subject to the terms of the Implementation Agreement, the Proposed Transactions will not proceed unless all of the Conditions Precedent are satisfied (or waived, if applicable) before 31 March 2025 (or such later date as may be agreed by YK) in accordance with the Implementation Agreement.	**Section 4.1.3** and **Section 4.1.4**

Question	Answer	Further information
What happens if the Resolutions to approve the Proposed Transactions are not approved?	If the Resolutions are not approved at the Meeting, or another condition to the Proposed Transactions is not satisfied or waived (where capable of waiver): • Highfield will not acquire Yancoal Canada (or the Southey potash project owned by Yancoal Canada) and will not issue any Consideration Shares to YK in consideration for the acquisition of Yancoal Canada; • Highfield will not issue the Cornerstone Shares under the Cornerstone Placement or receive the capital required to continue to fund its flagship Muga Project and may need to consider alternative funding opportunities to continue to ensure its ability to continue as a going concern; and • no changes will be made to the Board, the ownership of Highfield. The Board recommends that Shareholders vote in favour of the Resolutions in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Southey Vend-in and Cornerstone Placement to YK are fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders in the absence of a Superior Proposal.	**N/A**
How will the structure of Highfield's ownership change if the Proposed Transactions proceed?	Following completion of the Proposed Transactions, YK's holding of Shares in Highfield will depend on certain matters such as the Exchange Rate and Purchase Price adjustments under the Implementation Agreement. If the Resolutions are approved by Shareholders: • YK and its Associates will acquire a maximum Relevant Interest in 53.44%; • the Other Strategic Investors (including Beijing Energy and Taizhong) will hold, in aggregate, 18.28% of the Shares; • the EMR Shareholders will hold 10.5%; and • the other existing Shareholders will hold 17.78%, of the Shares[6] immediately following completion of the Southey Vend-in and the issuance of Shares to YK under the Cornerstone Placement.	**Section 1 and Section 4.2.4**

[6] Assuming (i) YK is issued with its maximum committed amount of US$90 million of YK Cornerstone Shares under the Cornerstone Placement (noting that this could be reduced, potentially to zero, under the mechanism described in Section 4.1.3 of this Explanatory Memorandum if additional funds are received from Other Strategic Investors), (ii) no more than US$220 million is raised under the Cornerstone Placement, (iii) an Exchange Rate of 0.64 and (iv) no adjustments under the purchase price adjustment provisions in the Implementation Agreement. See Section 4.2.4(b) for worked examples of YK's potential holdings of Shares.

Question	Answer	Further information

Who will be the directors of Highfield if the Proposed Transactions are approved?	If the Proposed Transactions are implemented, it is currently intended that the Board of the Highfield will be constituted as follows:
	• Mr Zhao Zhiguo (Chairman and representative of YK);
	• a representative of the EMR Shareholders. The EMR Shareholders current nominee on the Board is Mr Luke Anderson (Non-Executive Director);
	• Mr Zhang Zhaoyun (Non-Executive Director and representative of YK);
	• Dr Zhang Lei (Non-Executive Director and representative of YK);
	• Mr Hou Qingdong (Non-Executive Director and representative of YK);
	• Mr Li Jie (Executive Director and representative of YK);
	• Mr. Huang Hui (Non-Executive Director and representative of Beijing Nominee); and
	• two of the following existing Directors of Highfield:
	  ○ Ignacio Salazar;
	  ○ Paul Harris;
	  ○ Pauline Carr; or
	  ○ Roger Davey.
		Section 4.4

Who will be the senior executive team for Highfield if the Proposed Transactions are approved?	The Company understands that the YK and its Associates have no present intention of making any changes regarding the future employment of the present employees of the Company. In accordance with the Implementation Agreement, upon completion of the Proposed Transactions the newly appointed Highfield Board will determine and appoint the management and executive team of the Highfield Group.	**Section 4.2.4(h)**
Where can I get further information?	For further information, please call the Highfield Shareholder Information Line on 1300 636 752 (within Australia) or +61 2 8318 7933 (outside Australia), Monday to Friday between 8:30am and 5:30pm (Adelaide, Australia time).	**N/A**

2. NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY BUSINESS

Resolution 1: Approval of issue of Consideration Shares and YK Cornerstone Shares to YK

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an Ordinary Resolution:

'That, conditional on Resolutions 2 – 8 being passed, for the purpose of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the issue of the Consideration Shares to YK on completion of the Southey Vend-in and for the issue of the YK Cornerstone Shares to YK under the Cornerstone Placement, on the terms and conditions set out in the Explanatory Memorandum.'

Note: Resolution 1 is conditional on the passing of Resolutions 2 – 8.

If Resolutions 1 and 2 are approved by Shareholders, YK and its Associates will acquire a maximum Relevant Interest in 53.44% of the Shares[7] immediately following completion of the Southey Vend-in and the issuance of Shares to YK under the Cornerstone Placement.

Short explanation: Section 606(1) of the Corporations Act states that, unless a relevant exception applies, a person must not acquire a Relevant Interest in the issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of the transaction, that person's or someone else's Voting Power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a Relevant Interest in a company's voting shares if shareholder approval is obtained. Accordingly, this Resolution 1 seeks approval for the issue of the Consideration Shares and the YK Cornerstone Shares to YK and the acquisition of the Relevant Interest in voting shares of the Company of YK for the purposes of item 7 of section 611 of the Corporations Act.

Expert's Report: In accordance with ASIC Regulatory Guide 74, the Company has engaged Grant Thornton to provide an independent expert's report in respect of the transactions the subject of this Resolution 1. Shareholders should carefully consider the Independent Expert's Report at Annexure A to the Explanatory Memorandum before deciding on whether to vote in favour of this Resolution 1.

The Independent Expert's Report comments on the fairness and reasonableness of the proposed acquisition of the Consideration Shares and the YK Cornerstone Shares by YK. Grant Thornton has determined that the acquisition of the Consideration Shares and the YK Cornerstone Shares by YK pursuant to Resolution 1 is **not fair but reasonable** and therefore **in the best interests of Shareholders** in the absence of a Superior Proposal.

Resolution 2: Approval of issue of Other Strategic Investor Cornerstone Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an Ordinary Resolution:

[7] Assuming (i) YK is issued with its maximum committed amount of US$90 million of YK Cornerstone Shares under the Cornerstone Placement (noting that this could be reduced, potentially to zero, under the mechanism described in Section 4.1.3 of this Explanatory Memorandum if additional funds are received from Other Strategic Investors), (ii) no more than US$220 million is raised under the Cornerstone Placement, (iii) an Exchange Rate of 0.64 and (iv) no adjustments under the purchase price adjustment provisions in the Implementation Agreement. See Section 4.2.4(b) for worked examples of YK's potential holdings of Shares.

'That, conditional on Resolution 1 and Resolutions 3 – 8 being passed, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors at an issue price of A$0.50 per Share under the Cornerstone Placement, on the terms and conditions set out in the Explanatory Memorandum.'

Note: Resolution 2 is conditional on the passing of Resolution 1 and Resolutions 3 - 8.

Resolution 3: Election of Mr Zhao Zhiguo, a nominee of YK, as a director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an Ordinary Resolution:

'*That, conditional on Completion of the Southey Vend-in having occurred, Mr Zhao Zhiguo, being eligible for election, is elected as a Non-executive director and Chairman of the Company.*

Resolution 4: Election of Mr Zhang Zhaoyun, a nominee of YK, as a director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an Ordinary Resolution:

'*That, conditional on Completion of the Southey Vend-in having occurred, Mr Zhang Zhaoyun, being eligible for election, is elected as a Non-executive director of the Company.*

Resolution 5: Election of Dr Zhang Lei, a nominee of YK, as a director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an Ordinary Resolution:

'*That, conditional on Completion of the Southey Vend-in having occurred, Dr Zhang Lei, being eligible for election, is elected as a Non-executive director of the Company.*

Resolution 6: Election of Mr Hou Qingdong, a nominee of YK, as a director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an Ordinary Resolution:

'*That, conditional on Completion of the Southey Vend-in having occurred, Mr Hou Qingdong, being eligible for election, is elected as a Non-executive director of the Company.*

Resolution 7: Election of Mr Li Jie, a nominee of YK, as a director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an Ordinary Resolution:

'*That, conditional on Completion of the Southey Vend-in having occurred, Mr Li Jie, being eligible for election, is elected as an Executive director of the Company.*

Resolution 8: Election of Mr. Huang Hui, a nominee of Beijing Energy, as a director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an Ordinary Resolution:

'*That, conditional on Completion of the Cornerstone Placement having occurred, Mr Huang Hui, being eligible for election, is elected as a Non-executive director of the Company.'*

VOTING EXCLUSION STATEMENTS

Voting Exclusion Statement for Resolution 1 (Approval of issue of Consideration Shares and YK Cornerstone Shares to YK)

In accordance with the voting restrictions of item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast in favour of Resolution 1 by or on behalf of YK and any of its Associates.

However, the Company will not disregard a vote case in favour of Resolution 1 if it is cast by:

- *a person as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with directions given to the proxy or attorney to vote on Resolution 1 in that way; or*
- *the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with a direction given to the Chair to vote on Resolution 1 as the Chair decides.*

Voting Exclusion Statement for Resolution 2 (Approval of issue of Other Strategic Investor Cornerstone Shares)

As required by the Listing Rules, the Company will disregard any votes cast in favour of Resolution 2 by, or on behalf, of:

(a) the Cornerstone Investors (being the only investors who will receive Cornerstone Shares if Resolution 2 is passed) and any of their Associates; and

(b) otherwise, a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issuance of the Cornerstone Shares (except a benefit solely by reason of being a holder of ordinary shares in the Company).

However, the Company will not disregard a vote case in favour of Resolution 2 if it cast by:

- *a person as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with directions given to the proxy or attorney to vote on Resolution 2 in that way; or*
- *the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with a direction given to the Chair to vote on Resolution 2 as the Chair decides; or*
- *a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
    - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on Resolution 2; and*
    - *the holder votes on Resolution 2 in accordance with directions given by the beneficiary to the holder to vote in that way.*

DATED WEDNESDAY 19 FEBRUARY 2025
BY ORDER OF THE BOARD
HIGHFIELD RESOURCES LIMITED

Katelyn Adams
COMPANY SECRETARY

3. NOTES ON MEETING ATTENDANCE AND VOTING

Attending the meeting

The Meeting is being held virtually.

Shareholders and proxyholders can participate in the Meeting virtually via the online platform accessible at investor.automic.com.au and will have the ability to ask questions during the Meeting and to hear all of the discussion, subject to the connectivity of their device. Shareholders are encouraged to create an account prior to the start of the Meeting to ensure there is no delay in attending virtually.

To vote and ask questions during the Meeting you will need to follow the instructions available in the Automic Virtual Meeting Guide available at the following link https://www.automicgroup.com.au/virtual-agms .

Shareholders attending the Meeting virtually will be able to view a live webcast of the Meeting, ask questions online and submit their votes in real time. If that Shareholder or proxyholder voted online prior to the Meeting, the vote during the Meeting will override the pre-Meeting vote.

If you wish to participate in the Meeting online you will need to register to participate. Registration will open 30 minutes prior to the Meeting. You can register to participate in the Meeting by following the instructions below:

1. Open your internet browser and go to investor.automic.com.au.
2. Login with your username and password or click "register" if you haven't already created an account. Shareholders are encouraged to create an account prior to the start of the Meeting to ensure there is no delay in attending the Meeting online.
3. After logging in, a banner will be displayed at the bottom of your screen.
4. Click on "Register" and follow the steps.
5. Click on the URL to join the webcast where you can view and listen to the Meeting.
6. Once the Chair of the Meeting has declared the poll open for voting click on "Refresh" to be taken to the voting screen
7. Select your voting direction and click "save" to submit your vote. Note that you cannot amend your vote after it has been submitted

Technical difficulties

Technical difficulties may arise during the course of the Meeting. The Chair of the Meeting has discretion as to whether and how the Meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chair will have regard to the number of Shareholders impacted and the extent to which participation in the business of the Meeting is affected. Where the Chair considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, Shareholders are encouraged to lodge a directed proxy even if they plan to attend the Meeting online.

Voting information

The Chair intends to put all Resolutions set out in this Notice of Meeting to a poll. Upon a poll, every Shareholder who is present in person or by proxy, representative or attorney will have one vote for each Share held by that Shareholder. Results of the voting on the Resolutions will be announced to the ASX as soon as practicable after the Meeting is closed.

Determination of entitlement to attend and vote

For the purposes of determining an entitlement to vote at the Meeting, Shares will be taken to be held by the persons who are registered as Shareholders at 7:00pm (Adelaide, Australia time) on Tuesday, 18 March 2025.

Proxies

A Shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To record a valid vote, a Shareholder will need to take the following steps:

- cast the Shareholder's vote online by visiting https://investor.automic.com.au/#/loginsah or, if using a mobile device, by scanning the QR code on the Shareholder's Proxy Form and entering the Shareholder's registered postcode; or

- complete and lodge a validly completed and signed paper Proxy Form at the Company's Share Registry, Automic Registry Services:

  (a) in person at the following address:

  Automic Registry Services
  Level 5, 126 Phillip Street
  Sydney NSW 2000

  OR

  (b) by post at the following address:

  Automic Registry Services
  GPO Box 5193
  Sydney NSW 2001

  OR

  (c) by facsimile to +61 2 8583 3040 (within Australia);

  OR

  (d) By email to meetings@automicgroup.com.au

so that it is received no later than 4:30pm (Adelaide, Australia time) on Tuesday, 18 March 2025.

If you hold your shares through a custodian or nominee, please reach out to your nominee or broker directly for assistance with lodging your voting instructions.

A proxy has the same rights as a Shareholder to speak at the Meeting, to vote (but only to the extent allowed by the appointment) and to join in a demand for a poll.

Where a Shareholder appoints an attorney to act on his/her behalf at the Meeting or a Proxy Form is signed under power of attorney, such appointment must be made by a duly executed power of attorney.

The power of attorney (or a certified copy) must be given to Automic Registry Services, the Share Registry, by 4:30pm (Adelaide, Australia time) on Tuesday, 18 March 2025, unless it has previously been provided.

Where more than one joint holder votes, the vote of the holder whose name appears first in the register of Shareholders shall be accepted to the exclusion of the others.'

The Company encourages all Shareholders who submit proxies to direct their proxy whether to vote for or against or to abstain from voting on each Resolution.

The Chair of the Meeting intends to vote all undirected proxies in favour of all of the Resolutions.

If a Shareholder appoints the Chair as their proxy, expressly or by default, and they do not direct the Chair on how to vote on a Resolution, by completing and returning the Proxy Form, they will be expressly authorising the Chair to exercise the proxy and vote as the Chair sees fit on a Resolution.

Corporate representatives

A body corporate which is a shareholder or which has been appointed as a proxy may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should provide the Share Registry with evidence of his or her appointment prior to the Meeting, including any authority under which it is signed, unless it has previously been provided to and been accepted by the share registry. If such evidence is not received prior to the commencement of the Meeting, then the individual will not be permitted to act as the shareholder's representative or representative of the shareholder's proxy.

Questions from Shareholders

Shareholders may ask questions at the Meeting about any of the Resolutions being considered at the Meeting. Shareholders and proxyholders will be given an opportunity to ask questions at the Meeting through the online platform accessible at investor.automic.com.au. To ensure all Shareholders are given a reasonable opportunity to participate, Shareholders will be limited to asking two questions per item of business, or one question and one follow-up comment. The Chair retains ultimate discretion to ensure equitable participation by all Shareholders.

The Company will endeavour to answer as many of the more frequently raised relevant questions as possible during the course of the Meeting. However, there may not be sufficient time available at the Meeting to address all of the questions raised. Please note that individual responses will not be sent to Shareholders.

In addition, Shareholders may submit written questions prior to the Meeting. If you would like to ask a question, please email your question to meetings@automicgroup.com.au. To allow time to collate questions and prepare answers, you must submit any questions by 5.00pm (Adelaide, Australia time) on Friday, 14 March 2025.

4. EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening the Extraordinary General Meeting of Shareholders of Highfield Resources Limited to be held at 4:30pm (Adelaide, Australia time) on Thursday, 20 March 2025. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by Shareholders to consider the Resolutions.

4.1 THE PROPOSED TRANSACTIONS: THE SOUTHEY VEND-IN AND THE CORNERSTONE PLACEMENT

4.1.1 Overview of the Highfield Group

Highfield is an ASX listed company focused on exploration and development of potash mining projects, holding a 100% interest in three projects located in Spain's Ebro Potash Basin. The Company's flagship Muga Project is situated near Pamplona, covering approximately 46km² of land. The Muga Project has an updated feasibility study, published on 8 November 2023, which reconfirmed a 30-year life of mine and planned capacity of 1 Mtpa. The Proposed Transaction is expected to secure the remaining financing required for the advancement of Phase 1 of the Muga Project.

The Company has all the necessary permits to start the full-scale construction of phase 1 of the Muga Project (**Phase 1**) including civil works, processing plants and ramps. The Company has also successfully secured access to all land necessary to build the mine[8], with mining planned to commence at a depth of approximately 350 meters from surface in the relatively shallow sylvinite beds in the regions of Navarra and Aragón. In addition to the Muga Project, the Company owns 100% of two other early stage potash projects in the same region

Highfield's flagship Muga Project targets the relatively shallow sylvinite beds in an area that covers 21.38km^2 located in the Spanish Provinces of Navarra and Aragón. The Muga Project is located approximately 40km east of the two historical operating potash mines at Sierra del Perdon, which operated almost continuously from 1967 until 1997. The Muga Project is 100% owned by Geoalcali S.L.U., which is indirectly wholly owned by Highfield.

The Muga Project is a unique project with shallow mineralisation with no aquifers above it, meaning there is no requirement to build a shaft and there is already appropriate infrastructure in place in the region. The area in which the Muga Project is located was previously held by Mina de Potasas de Navarra and Subizia SA, who completed substantial exploratory work including drilling across the primary tenement areas at the Muga Project. Since the acquisition in 2012, the Company has completed an additional 36 drill holes at the Muga Project, which has positioned the Muga Project ready to initiate construction.

4.1.2 Overview of Proposed Transactions

On 24 September 2024, the Company announced to the market that it had entered into binding agreements with YK and Beijing Energy and Taizhong, in relation to a transaction which is expected to transform the Company into a globally diversified potash company and to deliver the remaining funding for Phase 1 of the Muga potash project (the **Proposed Transactions**).

The Proposed Transactions comprise:

[8] Subject to the announcements released by the Company to ASX on 23 and 28 October 2024 concerning the Goyo mining concession.

(a) the acquisition by Highfield 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 (a subsidiary of YK) in consideration for the issue of the Consideration Shares to YK;

(b) the raising of US$220 million (equivalent to approximately A$328.4 million[9]) in equity capital by the Company from YK and the Other Strategic Investors (**Cornerstone Placement**); and

(c) the appointment of YK's nominee directors to the Highfield Board (so that YK's nominee directors comprise a majority of the Highfield Board) and the appointment of Beijing Energy's nominee director to the Highfield Board (**Director Appointments**),

and certain ancillary matters, each as further outlined below.

The Proposed Transactions are inter-conditional such that:

- the Southey Vend-in will not proceed unless both the Cornerstone Placement is completed and the Director Appointments are approved;
- the Cornerstone Placement will not proceed unless both the Southey Vend-in is completed and the Director Appointments are approved; and
- the Cornerstone Placement and the Southey Vend-in will not be completed unless the Director Appointments are approved.

The conditions precedent to the Southey Vend-in are summarised below in Section 4.1.3(a).

4.1.3 The Southey Vend-In

The Company and YK have entered into the Implementation Agreement pursuant to which the Company has agreed to acquire (directly or indirectly) all of the issued capital of Yancoal Canada (which owns the Southey Project) for consideration valued at US$286 million[10] subject to certain completion adjustments (as described in Section 4.1.3(e) below) (**Purchase Price**).

The consideration for the acquisition of Yancoal Canada will be satisfied by the Company issuing to YK a number of new Shares equal to the Purchase Price (converted into AUD at the Exchange Rate on the Business Day before Completion) divided by A$0.50 per Share (**Consideration Shares**).

The issuance of the Consideration Shares, together with the issuance of the YK Cornerstone Shares, is expected to result in YK becoming the Company's majority Shareholder.

Overview of Yancoal Canada and the Southey Potash Project

The Southey Potash Project is wholly owned by Yancoal Canada, which is a wholly-owned subsidiary of YK. Yancoal Canada was established in 2011 and is located in Saskatchewan, Canada. Yancoal Canada is principally engaged in the exploration and development of potash, holding a 100% interest in the Southey Project, a greenfield potash mine project and four other potash mining right.

The Southey Project is a greenfield potash mine project located approximately 60 km north of Regina, Saskatchewan, Canada. The Southey Project has been the subject of significant investment by Yancoal Canada – this includes:

[9] Assuming the Exchange Rate of 0.64.

[10] See the definition of 'Yancoal Target Locked Box Value' in the Implementation Agreement which was released to the market on 24 September 2024. This amount is defined to comprise of net assets of approximately US$181.4 million, Yancoal Canada shareholder loans net of cash of approximately US$90 million and cash of approximately US$14.6 million, all as at 30 April 2024.

- a feasibility study completed in 2016 by Yancoal Canada and its technical consultants; and
- a primary environmental approval is in place.[11]

It is intended that the Southey Project will be a solution mining potash project. Solution mining is a proven technology which involves drilling both injection and extraction wells to the target ore body. Heated brine is injected underground, where the water dissolves the potash layer, and the potash rich brine is pumped back to the surface for processing.

The Board notes the summary of the Southey Project's Mineral Resources (after accounting for new mineral tenure and reclassification) in the first table below and the summary of the Southey Project's Ore Reserves (after accounting for reclassification) in the second table below, each as set out in the SLR Independent Specialist Report attached to the Independent Expert's Report:

Table ES-1: Summary of Southey Mineral Resources after Accounting for New Mineral Tenure and Reclassification

Resource Category	Tonnage (Mt)	K_2O (%)	KCl (%)	Contained K_2O (Mt)	Contained KCl (Mt)
Indicated	1,861	19.53	30.91	364	575
Inferred	3,359	18.67	29.53	627	992

Notes:
1. Definitions in the JORC Code were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 15% K_2O with no minimum thickness applied
3. Inferred at 1,600-5000m are estimated at a cut-off grade of 8% carnallite in the Patience Lake and Belle Plaine, and 6% in Esterhazy
4. Spatial deductions have been made from the Resources to exclude freehold areas, high carnallite areas, geological anomalies

Table ES-2: Summary of Southey Ore Reserves after Accounting for Reclassification

Reserve Category	In situ Tonnage (Mt)	KCl (%)	K_2O (%)	KCl In situ (Mt)	K_2O In situ (Mt)	KCl Extracted (Mt)	K_2O Extracted (Mt)
Probable	752.6	32.59	20.59	245.3	154.9	186.4	117.7

Notes:
1. The standard adopted in respect of the reporting of Ore Reserves of the Southey Project, following the completion of required technical studies, is the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
2. The Ore Reserve estimate is reported on a 100% ownership basis.
3. Ore Reserves include allowances for 41.6% extraction of resources, losses to unknown anomalies and cavern recovery.
4. Plant recovery is not included.
5. Ore Reserves are estimated at a cut-off grade of 15% K_2O (23.75% KCl) and a minimum thickness of one metre.
6. Cavern recovery assumes that brine left in cavern is fully saturated.

The Board believes that the Southey Project is an asset which is complementary to the Muga Project and presents an opportunity to unlock significant value upside in the long term. The Board expects to seek and secure funding for the development of the Southey Project in the long term and in a staged fashion via either debt or equity funding, or other forms of financing, including royalty financing, joint ventures, sales of interests or strategic partnerships. Following completion of the Proposed Transactions, the largest shareholder of the Company will be a wholly-owned subsidiary of YK which has strong financial resources. The Company has reasonable grounds to believe that it will be able to raise the necessary funds according to the financing plans developed by the Board and management, based on financial market conditions, including raising funds from its shareholders, to ensure the needs of project development and company growth are met.

[11] The current environmental approval will expire if development does not commence by August 2026. The provincial government has already extended the approval for 5 years and historically has been favourable in granting extensions.

About YK

YK, established in 1997, is a China-based international comprehensive energy company primarily engaged in mining, high-end chemical and new materials, new energy, high- end equipment manufacturing and smart logistics business. YK's products mainly include thermal coals for large power plants, coking coal for metallurgical production, high-quality low-sulfur coal for pulverized coal injections and chemical products such as methanol and acetic acid, etc.

YK is listed on the Hong Kong Stock Exchange (01171.HK) and Shanghai Stock Exchange (600188.SH). As of 18 November 2024, YK is approximately 52.83% owned by Shandong Energy Co., Ltd, a Chinese state-owned enterprise based in Shandong, China, which is 90% direct and indirectly owned by the State-owned Assets Supervision and Administration Commission of Shandong Province, China.

Material terms of the Implementation Agreement

On 23 September 2024, Highfield and YK entered into the Implementation Agreement under which Highfield agreed to acquire all of the issued share capital in Yancoal Canada in consideration for the issue of the Consideration Shares to YK. A summary of the material terms of the Implementation Agreement is set out below and a copy of the Implementation Agreement was lodged with ASX on 24 September 2024 and can be obtained from the HFR Website or the ASX website at www.asx.com.au.

(a) **Conditions precedent**: Completion of the Southey Vend-in is subject to the satisfaction or waiver (where capable of waiver) of the Conditions Precedent set out in Schedule 3 of the Implementation Agreement. In summary, these conditions include:

- (**receipt of regulatory approvals**) Highfield and YK obtaining all regulatory approvals which are required to effect the acquisition of Yancoal Canada by Highfield in consideration for the issuance of the Consideration Shares to YK. Such approvals include FIRB approval in Australia (which was received, without conditions, on 13 January 2025), various Chinese regulatory approvals, Canadian foreign direct investment law (**FDI**) approval, Spanish FDI approval, and if applicable, approvals from the relevant competition authorities in Canada and any other jurisdiction agreed between the parties;
- (**no restraints**) there being no temporary restraining order, preliminary or permanent injunction or other order of any court of competent jurisdiction or governmental agency, or other material legal restraint or prohibition, preventing or delaying completion of the Southey Vend-in as at 9.00am (Adelaide, Australia time) on the Completion Date;
- (**Highfield Shareholder approval**) the Company's Shareholders having approved the issuance of the Consideration Shares and YK Cornerstone Shares to YK for the purposes of item 7 of section 611 of the Corporations Act (which approval is the subject of Resolution 1), the issuance of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors under the Cornerstone Placement for the purposes of Listing Rule 7.1 (which approval is the subject of Resolution 2), and the appointment of the new directors to the Highfield Board as required under the Implementation Agreement (so that YK's nominee directors comprise a majority of the Highfield Board) (which approval is the subject of Resolutions 3 – 7). The purpose of the Meeting is to seek to satisfy this Condition Precedent;
- (**completion of Cornerstone Placement**) completion having occurred under the Cornerstone Placement and the Cornerstone Placement raising at least US$220 million (inclusive of the amounts raised by way of issue of the YK Cornerstone Shares);
- (**warranties**) the warranties given by each of Highfield and YK under the Implementation Agreement being correct in all material respects as at 9.00am (Adelaide, Australia time) on the Completion Date;

- (**performance and compliance**) each of Highfield and YK having performed and complied with all agreements, covenants, and conditions required by the Implementation Agreement to be performed or complied with by it prior to the Completion Date;
- (**material adverse change**) no Highfield Material Adverse Change and no Yancoal Target Material Adverse Change occurring, becoming reasonably likely to occur or being discovered or otherwise becoming known between the date of the Implementation Agreement and 9:00am (Adelaide, Australia time) on the Completion Date;
- (**prescribed occurrence**) no Highfield Prescribed Occurrence and no Yancoal Target Prescribed Occurrence occurring between the date of the Implementation Agreement and 9:00am (Adelaide, Australia time) on the Completion Date;
- (**carrying on business**) the business of the Highfield Group and the Yancoal Target Group having been conducted materially in the ordinary course and no member of Highfield Group or the Yancoal Target Group breaching certain covenants given in the Implementation Agreement between the date of the Implementation Agreement and 9.00am (Adelaide, Australia time) on the Completion Date;
- (**material contract consents**) Highfield having obtained all consents, waivers and approvals which are required under the Highfield Material Contracts (including Highfield's project finance facility) to facilitate the implementation of the transactions the subject of the Implementation Agreement;
- (**Highfield project finance facility**) Highfield not being in breach of the terms of its project finance facility and such facility remaining valid and enforceable and not having varied or altered in a way that is adverse to Highfield and not having been terminated, rescinded, or found to be void or voidable. Additionally, Highfield having obtained consent and waiver of any breach, default or termination right from the facility agent under such facility, no circumstance may reasonably be expected to render any conditions precedent to drawdown under such facility incapable of being fulfilled, and there has not been any breach, default or termination event under such facility occurring;
- (**conversion of convertible notes**) the holders of convertible notes on issue in the Company having converted such notes at the conversion price that applies at the time of signing of the Implementation Agreement (it being noted that the Company's convertible note holders have agreed to convert the convertible notes which they hold at such price, on a basis which is inter-conditional with completion of the Proposed Transactions);
- (**offtake agreement**) Highfield and YK having entered into an offtake agreement;
- (**no ASX objection**) as at 9.00am (Adelaide, Australia time) on the Completion Date ASX not having indicated to Highfield that it will not grant permission for quotation of the Consideration Shares, the YK Cornerstone Shares or the Other Strategic Investor Cornerstone Shares;
- (**key Highfield personnel**) each of Ignacio Salazar and Jorge Feito Huertas remaining in their respective positions of employment and each of those individuals not having claimed, and having waived any entitlement to, severance payments in connection with the Proposed Transactions, provided that their roles with Highfield remain materially same as they were on the date of the Implementation Agreement;
- (**land option agreement extension**) Geoalcali having secured an extension of certain Land Option Agreements to extend their terms to a reasonable period post the Completion Date and such agreements remining valid and enforceable at Completion or an expropriation process has been initiated (for Geoalcali);
- (**ownership to land title**) Geoalcali having paid the purchase price for land and obtained ownership and title to all of the Lands under Expropriation Proceedings, except for portions of land (**Pending Land**) whose land prices have not been mutually agreed with the landowners, provided that Geoalcali has obtained right to occupy and use all of the

Lands under Expropriation Proceedings, including the Pending Land, for the Muga Project;

- (**Geoalcali's financial guarantee obligations**) with respect to Geoalcali's financial guarantee obligation under the Muga Mining Concessions in a total amount of approximately EUR 6,654,000 relating to land rehabilitation under the Muga Mining Concessions, Geoalcali having obtained the competent authority's consent to provide such financial guarantee in instalments or consent to postpone the provision of such financial guarantee and there being no default in Geoalcali's performance of such financial guarantee obligation at the Completion Date; and
- (**YK to be majority shareholder**) the sum of the total number of Shares on issue immediately prior to Completion Date (on a fully diluted basis assuming all convertible securities and options have been converted to Shares) and the total number of Shares to be issued under the Cornerstone Placement to the Other Strategic Investors is less than the aggregated number of Consideration Shares and YK Cornerstone Shares.

The Conditions Precedent are set out in full in Schedule 3 of the Implementation Agreement.

Subject to the terms of the Implementation Agreement, the Southey Vend-in will not proceed unless all of the Conditions Precedent are satisfied (or waived, if applicable) before 31 March 2025 (or such later date as is agreed by YK) in accordance with the terms of the Implementation Agreement.

(b) **Period prior to Completion Date**: From the date of the Implementation Agreement until the Completion Date, each of Highfield and Yancoal Target Group and are required to ensure that their respective businesses are conducted materially in the ordinary course and must also ensure that they do not undertake any restricted conduct prior to the Completion Date.

(c) **Obligation to recommend the Proposed Transactions**: Highfield must use its best endeavours to ensure that:

- all of the Directors recommend that Shareholders vote in favour of the resolutions to approve the Proposed Transactions at the Meeting (the **Recommendation**);
- this Explanatory Memorandum includes a statement by the Board to that effect, and to the effect that each Director will vote (or procure the voting of) all Shares held or controlled by him or her in favour of the Resolutions to approve the Proposed Transactions at the Meeting (the **Voting Statement**); and
- no member of the Board changes, withdraws or modifies their Recommendation or Voting Statement or makes a recommendation or statement that is inconsistent with their Recommendation or Voting Statement,

in each case, other than:

- where the Independent Expert concludes that the Proposed Transactions are not reasonable for Shareholders; or
- where Highfield has received a Competing Proposal, other than as a result of breach of the exclusivity restrictions and obligations, the matching right procedure set out in the Implementation Agreement (as described in sub-section (e)) has been fully complied with, and the Board has determined that the Competing Proposal is a Superior Proposal.

(d) **Exclusivity**: The Implementation Agreement contains certain exclusivity arrangements in favour of YK. These obligations may be summarised as follows:

- (**no shop**) Highfield must not solicit, invite, encourage or initiate any Competing Proposal, or any enquiries, proposals, negotiations or discussions with any third party in relation to, or that may reasonably be expected to encourage or lead to, any Competing Proposal, or communicate any intention to do any of those things;
- (**no talk**) Highfield must not consider, enter into, continue or participate in negotiations or discussions with, or negotiate or enter any agreement, arrangement or understanding

with, any third party in relation to, or which may reasonably be expected to encourage or lead to, a Competing Proposal;

- (**no due diligence**) Highfield must not disclose or otherwise make available to any third party, any non-public information relating to Highfield for the purposes of such third party formulating or developing a Competing Proposal;
- (**notification**) if Highfield becomes aware of any approach, inquiry, request or attempt to initiative any negotiations or discussions in respect of any Competing Proposal, Highfield must, as soon as reasonably practicable, and in any event no later than three Business Days, notify YK. Such notice must include a summary of the material terms and conditions of the Competing Proposal and the identity of the third party making or proposing the Competing Proposal. YK will then have a right to seek to match or better any such Competing Proposal; and
- (**matching right**) Highfield must not enter into any legally binding agreement, arrangement or understanding to give effect to a Competing Proposal and must use reasonable endeavours to procure that none of the Directors change their recommendation in favour of the Proposed Transactions, unless:
  - the Board, acting in good faith and in order to satisfy its statutory or fiduciary duties, determines that the Competing Proposal would be a Superior Proposal;
  - Highfield has provided YK with the material terms and conditions of the Competing Proposal (including the price and form of consideration, conditions precedent, termination events, proposed deal protection arrangements, timetable and the identity of the third party making the Competing Proposal);
  - Highfield has given YK at least 10 Business Days after the date of the provision of the information to provide a matching or superior proposal to the terms of the Competing Proposal; and
  - YK has not provided a matching or superior proposal to the terms of the Competing Proposal by that date.

However, Highfield is not required to comply with its obligations under the 'no talk' and 'no due diligence' provisions in the Implementation Agreement in relation to a Competing Proposal, to the extent that it would, or would be reasonably likely to, constitute a breach of any of the fiduciary or statutory duties of any member of the Board.

The Implementation Agreement also provides for a break fee of A$1,960,919.00 payable by Highfield to YK in the event that, subject to certain exceptions, Highfield terminates the Implementation Agreement at any time before completion as a result of Highfield entering into a legally binding agreement with a third party to undertake or give effect to an actual superior proposal where expressly permitted by, and in accordance with, the Implementation Agreement.

(e) **Purchase price adjustments**: After completion of the Southey Vend-in, the purchase price of US$286 million which is payable to YK under the Implementation Agreement will be adjusted (i) downwards for any cash of Yancoal Canada which is utilised in assisting the Company to pay any withholding tax liabilities in connection with the Southey Vend-in and (ii) upwards for any interest which accrues (but has not been paid) between 30 April 2024 and completion of the Southey Vend-in on existing shareholder loans to Yancoal Canada. The aggregate principal amounts of the shareholder loans is ~US$90.3 million and they are subject to an interest rate of 4.75% per annum. The value of the Consideration Shares (which is A$0.50 per Consideration Share) to be issued to YK as consideration for the Southey Vend-in is not subject to adjustment.

(f) **Representations and warranties**: The Implementation Agreement contains representations, warranties and indemnities from YK to Highfield and from Highfield to YK. The YK Warranties and the Highfield Warranties are set out in full in Schedule 1 and Schedule 2, respectively, of the Implementation Agreement.

(g) **Termination rights**: Broadly, each of Highfield or YK may terminate the Implementation Agreement by written notice to the other party where:

- the other party is in material breach of any provision of the Implementation Agreement and the relevant circumstances continue to exist for ten Business Days from the time of the non-breaching party's written notice of intention to terminate is given; or
- if a court of competent jurisdiction or government agency has issued any temporary, preliminary or final order, decree, law, regulation, injunction, decision or ruling, or taken other action, that prevents, makes illegal or prohibits the transactions contemplated by the Implementation Agreement; or
- the Conditions Precedent have not been satisfied (or waived, if applicable) by 31 March 2025 (unless such date is extended by YK).

Broadly, YK may terminate the Implementation Agreement by written notice to Highfield, if:

- any member of the Board fails to recommend the Proposed Transactions or any member of the Board withdraws, adversely revises or adversely modifies his or her recommendation that Shareholders vote in favour of the Resolutions to approve the Proposed Transactions; or
- any member of the Board makes a public statement indicating that they no longer recommend the Proposed Transactions or recommends, supporting or endorsing another transaction (including any Competing Proposal).

Highfield may terminate the Implementation Agreement by written notice to YK, if at any time before the Completion Date Highfield enters into a legally binding agreement with a third party to undertake or give effect to an actual Superior Proposal where expressly permitted by, and in accordance with, the Implementation Agreement.

(h) **Board appointment rights**: The Implementation Agreement provides YK with the right to appoint a majority of the directors to the Board upon completion of the Southey Vend-in.

Assuming all conditions are satisfied, Highfield anticipates that Southey Vend-in will complete in the first half of calendar year 2025[12].

4.1.4 Overview of the Cornerstone Placement

The Company has entered into binding ESAs with each of YK, Beijing Energy and Taizhong, to issue Cornerstone Shares at a price of A$0.50 per Share.

Under the ESAs, YK, Beijing Energy and Taizhong have agreed to subscribe for up to US$90 million, US$50 million and US$30 million worth of Cornerstone Shares respectively, under the Cornerstone Placement, for a total of US$170 million.

In addition, Highfield is negotiating with other Strategic Investors in relation to subscriptions for a further US$50 million worth of Cornerstone Shares. Commitments to subscribe for such Shares is subject to Highfield entering into final, binding ESAs (on substantially the same terms as the ESA entered into with Beijing Energy) with such Strategic Investors.

If the total subscriptions under all ESAs entered into prior to completion of the Southey Vend-in exceed US$220 million, the amount subscribed by YK under the Cornerstone Placement may, at its election, reduce (provided that the Cornerstone Placement raises at least US$220 million).

The total number of Cornerstone Shares to be issued under the Cornerstone Placement will be equal to the total amount subscribed for under the Cornerstone Placement expressed in USD

[12] The Proposed Transactions will not proceed unless all of the Conditions Precedent are satisfied (or waived, if applicable) before 31 March 2025 (or such later date as may be agreed by YK) in accordance with the Implementation Agreement.

(converted into AUD at the Exchange Rate on the Business Day before Completion) divided by A$0.50 per Share.

In respect of YK, the number of Cornerstone Shares issued to it will be calculated by dividing US$90 million (reduced at its election in the circumstances described above and converted into AUD at the Exchange Rate on the Business Day before Completion) by A$0.50 per Share (**YK Cornerstone Shares**). In respect of any Other Strategic Investor, the number of Cornerstone Shares issued to it will be calculated by dividing the amount it has subscribed for under the Cornerstone Placement expressed in USD (converted into AUD at the Exchange Rate on the Business Day before Completion) by A$0.50 per Share (**Other Strategic Investor Cornerstone Shares** and, together with the YK Cornerstone Shares, the **Cornerstone Shares**).

As stated above, completion of the Cornerstone Placement is conditional on completion of the Southey Vend-in occurring and Shareholders approving the Director Appointments.

Material terms of the ESAs

Highfield has entered into binding ESAs with each of YK, Beijing Energy and Taizhong. Each ESA entered into is on materially the same terms (other than as described in this Explanatory Memorandum). The key function of each ESA is to commit Highfield to issue the Cornerstone Shares to the Cornerstone Investors and to commit the Cornerstone Investors to pay to Highfield the cash for those Cornerstone Shares.

A summary of the material terms of the ESAs is set out below:

(a) **Conditions precedent**: Completion of the issue of the Cornerstone Shares to the Cornerstone Investors is conditional on:

- (**receipt of regulatory approvals**) each Cornerstone Investor having obtained all regulatory approvals which are required to effect the acquisition of the Cornerstone Shares by them under their respective ESAs. Such approvals include FIRB approval in Australia and various Chinese regulatory approvals;
- (**satisfaction of Implementation Agreement conditions**) all of the conditions precedent to completion of the Southey Vend-in occurring (as described in Section 4.1.2(a) above) having been satisfied or waived (where capable of waiver) and completion under the Implementation Agreement occurring simultaneously with completion of the Cornerstone Placement;
- (**entry into additional ESAs**) entry into additional ESAs such that total subscriptions under all ESAs entered into prior to completion of the Proposed Transaction is no less than US$220 million;
- (**Beijing Energy ESA**) Beijing Energy's ESA is also conditional on the entry into an agreement between Beijing Energy (or its nominee) and the Company which provides Beijing Energy (or its nominee) with priority development rights in relation to Muga Project powerplant or distributed energy projects. Beijing Energy is also given the right to appoint one nominee to the Board under its ESA with the Company; and
- (**Taizhong ESA**) Taizhong ESA is also conditional on internal Taizhong approvals and the entry into an agreement between the Company and Taizhong (or its nominee) appointing Taizhong (or its nominee) as the Company's preferred strategic offtake customer or as distribution agent for the Company's future production from the Muga Project.

(b) **Representations and warranties**: The ESAs contain customary representations, warranties and indemnities from the Cornerstone Investors to the Company and from the Company to the Cornerstone Investors.

(c) **Quotation of shares**: Under the terms of the ESAs, the Company must ensure that the Cornerstone Shares that it issues are freely tradable and are quoted on ASX.

(d) **Board appointment rights**: The Beijing Energy ESA provides Beijing Energy with the right appoint one nominee to the Board following completion of the Cornerstone Placement.

4.1.5 Reasons to vote in favour of the Proposed Transactions

The Proposed Transactions have a number of advantages and disadvantages which may affect Shareholders in different ways, depending on their individual circumstances. Shareholders should seek professional advice on their particular circumstances, as appropriate.

This Section 4.1.5 provides a summary of some of the reasons why the Directors unanimously recommend that Shareholders should vote in favour of the Resolutions to approve the issuance of the Consideration Shares to YK as part of the Southey Vend-in and the issuance of Shares to the Cornerstone Investors under the Cornerstone Placement.

This Section 4.1.5 should be read in conjunction with Section 4.1.6, which sets out other reasons why you may wish to vote against the Resolutions to approve the Proposed Transactions.

While Directors acknowledge the reasons to vote against the Resolutions to approve the Proposed Transactions, they believe the advantages of the Proposed Transactions significantly outweigh the potential disadvantages.

Why you should vote in favour of the Resolutions to approve the Proposed Transactions

The Board has formed the unanimous view that the Proposed Transactions are in the best interests of Shareholders for the reasons set out below.

(a) **Completion of the Proposed Transactions will result in the creation of a globally diversified potash company**

The combination of the Muga Project (currently owned and under development indirectly by Highfield) and the Southey Potash Project (which would be acquired by Highfield indirectly as part of the Proposed Transactions), would establish a leading pure play potash company with a diversified portfolio of projects in tier-1 jurisdictions underpinned by strong ESG credentials. Together, the projects are geographically diverse and located to supply potash into key growth markets in North America, Asia and Europe.

The projects are complementary. The Southey Project is a development asset which is not currently being progressed by Yancoal Canada as it does not, at this stage, have a local management team in place with expertise to develop the asset. On the other hand, while Highfield has the necessary management expertise to develop its Muga Project, it does not currently have sufficient funding to commence the development of the Muga Project.

Assuming Shareholders approve the issuance of the YK Cornerstone Shares and the issuance of the Cornerstone Shares to the Cornerstone Investors, Highfield expects that the net proceeds of the Cornerstone Placement will provide the necessary funding to develop its Muga Project. Highfield also expects that it will be able to use cashflow from its Muga Project towards development of the Southey Project, with Highfield's management expertise being utilised to oversee that development.

The Proposed Transactions are an essential component of the overall funding required for the development of Muga Project and the Southey Project.

(b) **The Proposed Transactions will result in YK and the Cornerstone Investors paying an attractive premium to acquire Shares**

The Proposed Transactions are being undertaken at an attractive premium benefiting Shareholders, with new Shares in the Company to be issued by Highfield for both the Southey Vend-in and Cornerstone Placement being issued at a price of A$0.50 per Share, being a:

- 64% premium to last close price of the Shares on ASX on 18 July 2024, representing the undisturbed price; and
- 96.7% premium to 30-day volume weighted average price of Shares on ASX as of 12 February 2025.

(c) **The Proposed Transactions are the best option currently available to Highfield to deliver future certainty and value to its Shareholders**

The Board and the Highfield management team and their advisers considered a wide range of options to seek to generate value for Shareholders (including seeking to obtain equity from a variety of sources) before deciding to proceed with the Proposed Transactions (on the basis that the Board and management team concluded, after its extensive investigations, that the Proposed Transactions were the only viable sources of equity for Highfield).

At present, the Proposed Transactions are considered to offer the greatest level of potential benefits for Shareholders relative to other executable opportunities.

Since the announcement of Highfield's entry into the Implementation Agreement on 23 September 2024 and up to the date of this Explanatory Memorandum, no Competing Proposal has emerged and, as at the date of this Explanatory Memorandum, the Board is not aware of any Competing Proposal that is likely to emerge.

In considering the terms of the Proposed Transactions and the relevant ownership interests of Shareholders post-completion of the Proposed Transactions, the Board has had regard to various factors including:

- the strategic rationale for the Proposed Transactions, and its potential to deliver attractive benefits for Shareholders; and
- the attractive premium attributed to the Shares of the Company as a result of the Proposed Transactions.

(d) **The Independent Expert has concluded that the Southey Vend-in and Cornerstone Placement to YK are not fair but reasonable and therefore in the best interests of Shareholders in the absence of a Superior Proposal**

The Southey Vend-in and Cornerstone Placement to YK has been reviewed by the Independent Expert, who after considering both qualitative and quantitative factors, has concluded that the Southey Vend-in and Cornerstone Placement to YK are **not fair but reasonable** and therefore in the **best interests of Shareholders** in the absence of a Superior Proposal.

4.1.6 Why you may wish to vote against the Resolutions to approve the Proposed Transactions

Although the Proposed Transactions are being unanimously recommended by the Board, factors which may lead you to consider voting against the Resolutions to approve the Proposed Transactions include those set out below.

(a) **Your percentage shareholding and voting power in Highfield will be diluted as a significant number of new Shares will be issued to YK and the Other Strategic Investors**

The aggregate percentage holding of existing Shareholders will be diluted by the issuance of the Consideration Shares and the YK Cornerstone Shares to YK and the issuance of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors on completion of the Proposed Transactions.

If the Proposed Transactions proceed, existing Shareholders who are not associated with YK or the Other Strategic Investors will be diluted down from their current holding of 100% of Shares on issue to approximately 28.28% (assuming (i) YK is issued with its maximum committed amount of US$90 million of YK Cornerstone Shares under the Cornerstone Placement (noting that this could be reduced, potentially to zero, under the mechanism described in Section 4.1.4 if additional funds are received from Other Strategic Investors), (ii) no more than US$220 million is raised under the Cornerstone Placement, (iii) an Exchange Rate of 0.64 and (iv) no adjustments under the Purchase Price adjustment provisions in the Implementation Agreement. See Sections 4.2.4(b) and 4.2.4(c) for worked examples of YK's potential holdings of Shares), with a commensurate dilution of voting power.

The impact of the Proposed Transactions on Highfield's capital structure is outlined in Section 4.2.4(k).

(b) **Expected benefits may not materialise**

While Highfield has undertaken due diligence on Yancoal Canada and Southey to determine the attractiveness of the Southey Vend-in for Shareholders, it is possible that not all material issues and risks in relation to the Southey Vend-in may have been identified. If and to the extent that the information provided by YK to Highfield in respect of Yancoal Canada and Southey is incomplete, inaccurate or misleading, there is a risk that the future financial results of Highfield may differ from Highfield's expectations or that additional liabilities may emerge.

Further, certain contracts to which members of the Highfield Group or Yancoal Target Group (as the case may be) are party may contain change of control clauses that enable a counterparty to terminate the relevant contract upon completion of the Southey Vend-in. In these circumstances, the relevant members of the Highfield Group or Yancoal Target Group may be required to obtain prior approval from the counterparty to the change of control to ensure compliance with the relevant contract. Under the Implementation Agreement, Highfield and YK are each required to use reasonable endeavours to obtain relevant counterparties' consent to the Proposed Transactions. However, there is no guarantee that any such consents will be received.

(c) **YK will have significant influence over the Highfield**

On completion of the Proposed Transactions, YK will become the largest shareholder in Highfield and will hold up to 53.44% of the issued capital of Highfield (noting that this could be reduced under the mechanism described in Section 4.1.4 if additional funds are received from Other Strategic Investors).

Although the interests of the YK and other Shareholders are likely to be aligned in most situations, there may be instances where interests diverge. In addition, any future sale of Shares by YK, may negatively impact on the market price of the Shares in Highfield following completion of the Proposed Transactions.

(d) **Failure to approve the Proposed Transactions may result in the Company being placed into administration**

Without the Proposed Transactions, Highfield could not fund its Muga Project and Highfield might need to consider other funding arrangements, cash conservation strategies or possibly administration, since it has no operating assets, and while it has obtained commitments for project finance debt for the project, in order to be able to draw down on that debt it needs

additional equity (and indeed it has needed to roll over various due dates in relation to the project finance while it seeks the funding that the Proposed Transactions are intended to provide). It has sought that additional equity from a variety of sources and the Proposed Transactions are the only viable source which has been identified.

(e) **The future value of Highfield is not certain**

Following completion of the Proposed Transactions, the price of the Shares in Highfield may rise or fall based on market conditions and will be highly dependent on the ability of it to develop its Muga Project.

(f) **You may not agree with the recommendation by the Directors**

Notwithstanding the unanimous recommendation of the Board, you may believe that the Proposed Transactions are not in your best interests or that there is potential for an alternate option for funding the Muga Project other than the Proposed Transactions.

(g) **You may not agree with the recommendation of the Independent Expert**

You may disagree with the conclusion of the Independent Expert, who has concluded that the Southey Vend-in and Cornerstone Placement to YK are **not fair but reasonable** and therefore in the **best interests of Shareholders** in the absence of a Superior Proposal.

4.1.7 What are the key risks associated with the Proposed Transactions?

The key risks relating to the Proposed Transactions and to the business carried on by the Highfield Group are as follows:

(a) **Transaction risk**

While Highfield has entered into the Implementation Agreement and ESAs with YK, Beijing Energy and Taizhong, binding agreements to raise the full US$220 million under the Cornerstone Placement have not yet been entered into. Under the ESAs which have been entered into, YK, Beijing Energy and Taizhong have committed to subscribe for Shares valued at up to US$170 million. It is a condition precedent to completion of the Proposed Transactions that the Cornerstone Placement raise at least US$220 million. Entry into further binding ESAs with any other Strategic Investor remains subject to negotiation between the parties. Accordingly, there is no certainty that the engagement between Highfield and the other Strategic Investors in relation to the Cornerstone Placement will result in commitments to subscribe for the requisite amount of Cornerstone Shares, which, in turn, means that there is no certainty that completion of the Proposed Transactions can occur.

Even if binding ESAs for the balance of the Cornerstone Placement are entered into, the successful implementation of the Proposed Transactions will depend on a range of factors, including Highfield Shareholder approval for the Resolutions and satisfaction of the Conditions Precedent and the conditions precedent to the ESAs and Implementation Agreement. If these conditions are not satisfied or waived or take longer than anticipated to satisfy, completion of the Proposed Transactions may be deferred or delayed or may not occur on the current terms or at all. There can be no guarantee that the parties will obtain necessary approvals, waivers and / or consents required to complete the Proposed Transactions within any particular timeframe, or at all. Current or future political, global and geopolitical conditions or postures (including attitudes towards investments by or transaction involving Chinese state owned entities) in the relevant countries may impact the ability to obtain the necessary regulatory approvals. In addition, even if the necessary approvals are obtained, they could be subject to conditions which have a material adverse effect on the Highfield Group following completion of the Proposed Transactions. Accordingly, the Proposed Transactions remain subject to counterparty and completion risk.

To the extent that binding ESAs for the balance of the Cornerstone Placement are not entered into or the Proposed Transactions are not completed, Highfield will need to consider alternatives for funding its activities, which may result in Highfield incurring additional costs and may have a material adverse effect on Highfield's financial performance, financial position and the value of its securities and means that there is no certainty that completion of the Proposed Transactions can occur.

The Proposed Transactions, if completed, will change Highfield's business, operational profile, capital structure and size, and will require a significant integration process. The success of the Proposed Transactions and, in particular, the ability to realise the expected synergy benefits of the Proposed Transactions, will be dependent on the ability of Highfield to successfully progress the development of the Muga Project and the ability to ultimately effectively integrate the Southey Project into the Highfield business. A failure to integrate the Southey Project (albeit currently non-operational) in the time and manner contemplated by Highfield, or a failure to achieve the targeted synergies of integration may impact on the financial performance, operation and position of Highfield.

If the Proposed Transactions are completed, the Board will become majority controlled by directors appointed by YK, one of the main coal producers and coal traders in China and Australia. There can be no guarantee that the new Board will not over time shift Highfield's strategic direction, operational priorities and corporate governance practices. Furthermore, if the Proposed Transactions are completed, Highfield will be considered a "foreign government investor" for the Foreign Investment Review Board. This means that Highfield would face greater scrutiny and regulatory requirements under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) if acquiring new projects in Australia.

(b) **Vend-in risk**

Highfield has undertaken a due diligence process in respect of the Southey Project, which relied in part on legal, financial, taxation, synergies and operational due diligence on information provided by or on behalf of YK. Despite making reasonable efforts, Highfield has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it. If any such information provided to, and relied upon by, Highfield in its due diligence, proves to be incorrect, incomplete or misleading, or if any of those due diligence enquiries failed to identify potential issues, there is a risk that the actual value of the Southey Project may be materially different to Highfield's understanding, or the realisable synergies from Southey Vend-in will be less than anticipated.

There is also a risk that the due diligence conducted has not identified issues that would have been material to the decision to enter into the Southey Vend-in. A material adverse issue that was not identified prior to entry into the Implementation Agreement (or an issue that later proves to be more material than first anticipated) could have an adverse impact on the reputation, financial performance or operations of Highfield (for example, Highfield may later discover that Southey Project liabilities or issues which were not identified through due diligence, or are more serious than initially identified through due diligence, and for which there is no contractual protection). Due diligence cannot uncover all potential issues or historical non-compliance in relation to the Southey Project, and reliance has, by necessity, been placed by those undertaking due diligence on the accuracy of information and confirmations provided by YK and its representatives.

(c) **Liquidity, borrowing covenants and funding**

Highfield has entered into a project financing debt facility agreement with a syndicate of lenders pursuant to which those lenders have agreed to provide project financing for the development of Muga. Under such facility agreements, Highfield is required to fund commitment fees owing to the lenders. A failure to pay such commitment fees to the lenders

may result in the lenders withdrawing the funding which they have agreed to provide which may in turn effect Highfield's ability to continue to develop the Muga project.

Highfield requires the consent of the lenders under the project financing debt facility agreement to proceed with the Proposed Transactions. Failure to obtain such consent could give each lender the right to cancel their commitments to provide funding under the facility. There is a risk that the lenders may not provide their consent (including because of the involvement of entities related to YK in carbon intensive extractive industries). Furthermore, on drawdown under the facility agreement, Highfield will be required to comply with certain borrowing covenants. If Highfield was to breach any of these covenants, its debt could be declared repayable, or one or more lenders could cancel their commitments to provide funding, and there is no guarantee that Highfield would have sufficient cash flow to meet these repayment obligations. If this occurs, Highfield may be required to renegotiate with the lenders and / or other finance providers and to complete further debt or equity raisings to satisfy these obligations. There is no assurance that Highfield will be successful in any potential future recapitalisation and / or refinancing should this be required.

Highfield's existing debt facilities and internally generated funds may not be sufficient for expenditure that might be required for the development of the Muga Project (should costs be greater than expected). Highfield may need to raise additional debt or equity funds in the future as a result of this, and, if the Proposed Transactions complete and Highfield proceeds with the development of the Southey Project, it will need to raise further funds (whether debt or equity or both) in the future in order to fund the development of the Southey Project. There can be no assurance that Highfield will be able to obtain additional debt or equity funding when required, or that the terms associated with that funding will be acceptable to Highfield and this may have a material adverse effect on Highfield. Any additional equity financing may be dilutive to Shareholders, and debt financing (including lease financing of equipment), if available, may involve restrictions on financing and operating activities.

Securing funding for projects or other forms of financing for operations may depend on a number of factors, including commodity prices, interest rates, economic conditions, debt market conditions, share market conditions, credit worthiness of Highfield (and ESG characteristics of its major Shareholders) under its new structure and country risk issues. Inability to obtain financing or refinancing or other factors could cause delays in developing properties or increase financing costs and, thus, adversely affect the financial condition and performance of Highfield.

Highfield’s ability to service its debt will depend on its future performance and cash flows, which will be affected by many factors, some of which are beyond Highfield’s control. Any inability of Highfield to service its existing debt would have a material adverse effect on Highfield.

(d) **Dilution risk and control implications**

If the Proposed Transactions are completed, Highfield will issue Shares to YK (in relation to the Southey Vend-in and, potentially, the Cornerstone Placement) and the Other Strategic Investors in relation to the Cornerstone Placement, which will have the effect of significantly diluting existing Shareholders by up to approximately 71.72%%. In addition, there is a risk that a significant sale of Shares by YK or the Other Strategic Investors after implementation of the Proposed Transactions, or the perception that such a sale might occur, could adversely impact the price of the Shares.

(e) **Project and construction costs**

During development of both the Muga Project and, if the Proposed Transaction completes and Highfield proceeds with its development, the Southey Project, a number of adverse events could occur that would require additional funding to ensure that Highfield is able to continue

to develop these projects, to comply with lender covenants and to avoid delays and cost overruns. Construction costs could exceed those contemplated in the latest feasibility studies or other assessments for the Muga Project and the Southey Project. For example, there is a risk that actual capital and operating costs may be higher than the estimates outlined in Highfield's investor presentation released to ASX on 24 September 2024 due to market and inflationary pressures on construction in puts such as fuel, labour, transport, and equipment, freight, industrial disputes or suspension of operations. Any increase in costs may materially adversely affect the operations and performance of Highfield.

Although development of both the Muga Project and the Southey Project will be based on established technology, their performance will depend on a number of factors, including successful detailed engineering, quality construction that meets deadlines and avoids cost overruns, swift plant commissioning and processing of ore that delivers the expected grade.

(f) **Regulatory risks**

Highfield's development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, heritage matters, protection of endangered and protected species and other matters. Resource extraction activities require permits from regulatory authorities to authorise its operations. These permits relate to development, production and rehabilitation activities.

The Muga Project is currently close to fully permitted (subject to the matters described in Highfield's announcements to ASX of 23 and 28 October 2024), and, while the Southey Project has certain approvals, further permits will need to be obtained. Obtaining necessary permits can be a time consuming process and there is a risk that permits in relation to the Southey Project will not be obtained on acceptable terms, in a timely manner or at all. This is also a risk that the permits relating to the Muga Project or the current approvals for the Southey Project may be withdraw or not renewed. For example, an environmental approval, and a farmland security board exemption, in relation to the Southey Project, which have previously been renewed, will require further renewal in 2026. The costs and delays associated with obtaining or maintaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict Highfield from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of Highfield's activities or forfeiture of one or more of the tenements**.** Furthermore, from time to time, Highfield may be subject to litigation similar to that announced to ASX on 23 and 28 October 2024 or other actions which may result in the loss or permits or approvals which have been obtained in respect of its projects. While Highfield intends to vigorously defend any such litigation and actions, there can be no guarantee that it will be successful. Loss of any material permits or approvals regarding for the Muga Project or the Southey Project would have a material adverse effect on the operations and financial performance of the Highfield Group.

(g) **Site incidents**

Mining and exploration activities have inherent hazards and risks. Highfield is committed to providing a safe and healthy workplace for its personnel contractors and visitors. A serious safety incident onsite during construction at either the Muga Project or, if the Proposed Transactions complete and Highfield proceeds with its development, the Southey Project could result in significant penalties and delays and Highfield may be liable for compensation. These liabilities may not be covered by Highfield’s insurance policies, or, if they are covered, may exceed Highfield’s policy limits or be subject to significant deductibles. Also, any claim under Highfield’s insurance policies could increase Highfield’s future costs of insurance.

Accordingly, any liabilities for onsite safety incidents could have a material adverse impact on Highfield. Hazards and incidents require early identification, root cause analysis and a response strategy.

(h) **Marketing & logistics and offtake**

There is no certainty that Highfield will be able to obtain and maintain acceptable binding offtake agreements in respect of any of its projects. Offtake agreements may be entered into at a lower price than used in estimates used in Highfield's investor presentation released to the market on 24 September 2024 and are subject to counterparty and performance risk. While Highfield expects to achieve offtake agreements with standard market reference prices, competitive pressure in the market may result in poorer agreements for Highfield. Aggressive pricing policies applied by existing potash producers and final customers' expectations around discounts might also contribute to a lower potash price achieved, each of which may have a material adverse effect on Highfield's performance and prospects.

(i) **Reliance on key personnel**

Highfield is reliant on a number of key personnel to develop the Muga Project. The loss of one or more of its key personnel could have an adverse impact on the development of the Muga Project and the financial performance and prospects of Highfield. Shortage of sufficient qualified personnel in the locations which the Muga Project and the Southey Project are located may also have an adverse impact on Highfield's ability to develop the Muga Project and, if the Proposed Transactions complete and Highfield proceeds with its development, the Southey Project in line with anticipated timeframes.

(j) **Contractual risk**

In order for Highfield to be able to achieve its objectives, Highfield relies on third parties to comply with their contractual obligations. There is a risk that third parties fail to meet their contractual obligations which may impact the performance of Highfield. If any party defaults in the performance of its obligations, it may be necessary for Highfield to approach a court to seek a legal remedy, which can be costly.

(k) **Environmental**

The operations and proposed activities of Highfield are subject to environmental regulation under the laws of Spain and, assuming successful completion of the Southey Vend In, Canada. As with most mining operations, Highfield's activities are expected to have an impact on the environment, particularly when engaging in mine development. It is Highfield's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral extraction and production. The occurrence of any such safety or environmental incidents at Muga or, if the Proposed Transactions complete and Highfield proceeds with its development, the Southey Project could delay production or increase anticipated production costs. Events, such as unpredictable rainfall, bushfires or other natural disasters, may impact on Highfield's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on Highfield for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations. In addition, the disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become m ore onerous making Highfield's operations more expensive. Furthermore, approvals are required

for land clearing and for ground disturbing activities. Delays in obtaining such approvals could result in a delay to anticipated mining activities.

(l) **Failure to satisfy licence or lease conditions**

Highfield's mining operations are predominantly governed by the laws and regulations of Spain and, assuming the successful completion of the Southey Vend-in, Canada, including the granting of licences or leases. Each licence or lease is for a specific term and carries with it various compliance conditions, including annual expenditure and reporting commitments. Significant breach of these conditions, or other environmental obligations, tenure, access or heritage approvals or conditions, could result in significant penalties, suspension of operating activities and/or loss of the relevant licences or leases required to conduct operating activities, each of which could have a material adverse effect on Highfield's business and its prospects.

(m) **Commercial risk of mineral exploration and extraction**

Both of the Muga Project and the Southey Project are at the development stage. The prospects of Highfield should be considered in light of the risks, expenses and difficulties frequently encountered by companies at this stage of development. The business of mineral exploration, project development, project commissioning and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors and there can be no assurance that the Muga Project or the Southey Project will be brought into commercial production.

(n) **Mine development**

There is a risk that circumstances (including unforeseen circumstances) may cause a delay to, or increased costs associated with project development for the Muga Project or, if the Proposed Transactions complete and Highfield proceeds with its development, the Southey Project, which may result in the receipt of revenue at a later date than expected or not at all. The construction or expansion of the Muga Project or, if the Proposed Transactions complete and Highfield proceeds with its development, the Southey Project by Highfield may exceed the currently envisaged timeframe or cost for a variety of reasons outside of the control of Highfield. These may include delays in the construction of mine infrastructure or, in the case of the Southey Project, delays in obtaining land use approvals. The contractual terms for the procurement and delivery of various components necessary for planned developments including any related infrastructure requirements are yet to be established. There are many milestones which need to be met in a timely fashion for production to commence at the Muga Project and the Southey Project, both of which are currently in the pre development stage as per Highfield's mine plan and there is a risk that circumstances (including unforeseen circumstances) may cause delay, resulting in the receipt of revenue at a later date than expected or not at all.

(o) **Operations**

Highfield's operations may be affected by various factors, including failure to achieve predicted grades in mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of skilled and unskilled labour, consumables, spare parts, plant and equipment. No assurances can be given that any of Highfield's potash projects will achieve commercial viability. Until Highfield is able to realise value from its projects, it is likely to incur ongoing operating losses.

Future revenue may be based on exports of potash to foreign jurisdictions. A loss of, or disruption to, any distribution channels, any adverse changes to trade tariffs, political

instability, shifts in market demand or adoption of new technologies, and/ or other matters which impact the ability of Highfield to export could materially impact its business and operations. There is no guarantee that Spanish, and assuming successful completion of the Southey Vend In, Canadian, government legislation and regulations will not change in the future and prohibit export of potash generally, or to specific jurisdictions. Furthermore, there is no guarantee that foreign government legislation and regulations will not change in the future and prohibit the import of potash from Spain or Canada. Any adverse legislative or regulatory change of this type would have a significant adverse effect on Highfield's financial position, financial performance and prospects.

(p) **Tenure and access**

Mining tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for tenements will be approved. Tenements are also subject to the applicable mining acts and regulations in Spain and, assuming successful completion of the Southey Vend-in, Canada. The renewal of the term of a granted tenement may also be subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising Highfield's potash projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of Highfield. Although Highfield acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities at Muga and, assuming successful completion of the Southey Vend-in, the Southey Project, Highfield will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such sur fac e rights (or, where it has negotiated such rights, that it will be able to renew them if they expire), and therefore it may be unable to carry out planned mining activities.

(q) **Geology and estimation of resources and reserves**

The volume and quality of the potash that Highfield recovers may be less than the estimates disclosed by Highfield to the market. Resource and reserve estimates (including those contained in the investor presentation released by Highfield to ASX on 24 September 2024) are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. There are risks associated with such estimates, including that potash mined may be of a different quality, tonnage or strip ratio from those in the estimates. Resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations and geological assumptions, potash prices, cost assumptions, and statistical inferences which may ultimately prove to have been unreliable. Consequently, reserve and resource estimates are often regularly revised based on actual production experience or new information and could therefore be expected to change. Furthermore, should Highfield encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, reserve and resource estimates may have to be adjusted and mining plans, potash processing and infrastructure may have to be altered in a way that might adversely affect the Highfield's operations. Moreover, a decline in the price of potash, stabilisation at a price lower than recent levels , increases in production costs, decreases in recovery rates or changes in applicable laws and regulations, including environment, permitting, title or tax regulations, that are adverse to Highfield, may mean the volumes of potash that Highfield can feasibly extract may be significantly lower than the reserve and resource estimates indicated in the investor presentation released by Highfield to

ASX on 24 September 2024. If Highfield's actual resources and reserves are less than current estimates, Highfield's prospects, value, business, results of operations and financial condition may be materially adversely affected.

(r) **Competition**

Highfield operates in an industry which attracts strong competition. Its competitors may have greater financial and other resources than Highfield and, as a result, may be in a better position to compete for future business opportunities. Accordingly, there is no certainty that Highfield's expected market share will be achieved in the near future or if at all.

(s) **Insurance risks**

Highfield intends to continue to insure its operations in accordance with industry practice. However, in certain circumstances, Highfield's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of Highfield. Insurance against all risks associated with mining and production is not always available and where available the costs can be prohibitive. In addition, there is a risk that an insurer defaults in the payment of a legitimate claim by Highfield.

(t) **Single sector risk**

As Highfield will be entirely exposed to the resources industry, and in particular the potash sector, its business performance may be affected should this sector perform poorly.

(u) **Climate change risk**

Climate change is a risk Highfield has considered, particularly related to its operations in the mining industry. The climate change risks particularly attributable to Highfield include the emergence of new or expanded regulations associated with the transitioning to a lower carbon economy and market changes related to climate change mitigation. Highfield may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact Highfield and its profitability. While Highfield will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that Highfield will not be impacted by these occurrences, and climate change may cause certain physical and environmental risks that cannot be predicted by Highfield, including events such as increased severity of weather patterns and incidence of extreme weather events and longer term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Highfield operates.

(v) **Litigation**

Highfield is exposed to current and possible future litigation risks including tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, Highfield may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on Highfield's operations, financial performance and financial position.

(w) **Information technology risks**

There is a risk that Highfield's core systems and technologies could be exposed to damage or interruption from systems failures, computer viruses, cyber attacks, power or telecommunications providers' failures, fire, natural disasters, terrorist acts, war or human error. Cyber attacks may include computer hacking, data theft, system disruption or security

breaches, and viruses and malware. These situations might include, among others, a breach of sensitive commercial information, loss of Highfield's assets or negative publicity.

(x) **Acquisition and disposal of projects**

Highfield may acquire new projects or divest existing projects in the future. Highfield may also assess and pursue other new business opportunities which complement its business (which may take the form of joint ventures, farm ins, acquisitions and other forms of opportunities). There can be no guarantee that any transactions will eventuate from these pursuits, or that any transactions will result in a return for shareholders. Such acquisitions may result in use of the Highfield's cash resources and issuances of equity securities, which might involve a dilution to shareholders. The transactions may also result in Highfield being subject to additional or heightened risks.

(y) **Commodity price volatility and exchange rate risks**

If Highfield achieves success leading to potash production at Muga or, if the Proposed Transactions complete and Highfield proceeds with its development, the Southey Project, the revenue it will derive through the sale of commodities exposes the potential income of Highfield to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of Highfield. Such factors include supply and demand fluctuations for potash, technological advancements, forward selling activities and other macro eco nomic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of Highfield may be taken into account in other currencies, exposing Highfield to the fluctuations and volatility of the rate of exchange between the United States dollar and such other currencies in which Highfield trades as determined in international markets.

(z) **Government policy changes**

Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations and mining activities of Highfield. It is possible that the current system of mine permitting in Spain and Canada may change, resulting in impairment of rights and possibly development of the Muga Project, if the Proposed Transactions complete and Highfield proceeds with its development, the Southey Project, without adequate compensation.

(aa) **There may be changes in accounting standards**

Accounting standards may change. This may affect the reported earnings of Highfield and its financial position from time to time. Highfield will continue to assess and disclose, when known, the impact of adopting new accounting standards in its periodic financial reporting.

(bb) **Adverse changes to tax laws may occur**

Future changes in taxation laws in jurisdictions in which Highfield operates, including changes in interpretation or application of the law by the courts or taxation authorities, may affect the taxation treatment of an investment in Highfield shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Highfield operates, may impact the future tax liabilities of Highfield.

(cc) **Force majeure**

Highfield's projects now or in the future may be adversely affected by risks outside the control of Highfield, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, pandemics or epidemics or quarantine restrictions.

4.1.8 What is the opinion of the Independent Expert?

Highfield has appointed Grant Thornton as the Independent Expert to provide a report on whether the Southey Vend-in and Cornerstone Placement to YK are fair and reasonable for Shareholders. In its report, the Independent Expert has concluded that the Southey Vend-in and Cornerstone Placement to YK is **not fair but reasonable** and therefore in the **best interests of Shareholders** in the absence of a Superior Proposal.

Under RG 111, the Independent Expert is open to conclude that a transaction is reasonable even if it is not fair if the advantages of the transaction outweigh the disadvantages. In considering whether the Southey Vend-in and Cornerstone Placement to YK and reasonable, the Independent Expert has considered whether existing Shareholders are likely to be better off from a value perspective if they approve the Southey Vend-in and Cornerstone Placement to YK by comparing the value of Shares held by existing Shareholders before and after completion of the Southey Vend-in and Cornerstone Placement to YK. This analysis indicates that the Southey Vend-in and Cornerstone Placement to YK are **not fair but reasonable** and therefore in the **best interests of Shareholders**.

In order for the Southey Vend-in and Cornerstone Placement to YK to be considered "fair" under RG 111, the value of the Shares held by YK following completion of the Southey Vend-in and Cornerstone Placement to YK must be equal to, or greater than the controlling interest value of existing Shareholders prior to completion of the Southey Vend-in and Cornerstone Placement to YK. Based on this, the Southey Vend-in and Cornerstone Placement to YK are not fair when assessed based on the guidelines set out in RG 111.

Following completion of the Southey Vend-in and Cornerstone Placement to YK, existing Shareholders will own 28.28% and YK will own 53.44%, respectively, of the Shares (assuming (i) YK is issued with its maximum committed amount of US$90 million of YK Cornerstone Shares under the Cornerstone Placement (noting that this could be reduced, potentially to zero, under the mechanism described in Section 4.1.4 if additional funds are received from Other Strategic Investors), (ii) no more than US$220 million is raised under the Cornerstone Placement, (iii) an Exchange Rate of 0.64 and (iv) no adjustments under the purchase price adjustment provisions in the Implementation Agreement. See Section 4.2.4(b) for worked examples of YK's potential holdings of Shares).

On the basis of the above, and in consideration of the benefits of the Southey Vend-in and Cornerstone Placement to YK and the potential for synergy benefits to be realised over the medium term, it is the opinion of the Independent Expert that the Southey Vend-in and Cornerstone Placement to YK are **not fair but reasonable** and therefore in the **best interests of Shareholders** in the absence of a Superior Proposal.

A complete copy of the Independent Expert Report is included in Annexure A to this Explanatory Memorandum. Shareholders should carefully review the Independent Expert Report in its entirety.

4.1.9 Regulatory conditions

ASX has provided in-principle advice to Highfield that the Proposed Transactions will not attract the application of Listing Rule 11.1.2, which would require Highfield to obtain the approval of its Shareholders in relation to a change in the nature or scale of its activities, or Listing Rule 11.1.3, which would require Highfield to comply with Chapters 1 and 2 of the Listing Rules.

4.1.10 Board recommendation and shareholder support

The Board unanimously recommends that Shareholders vote in favour of the Resolutions which will be required to approve the Proposed Transactions, subject to the Independent Expert

continuing to conclude that the Proposed Transaction is fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders, and in the absence of a Superior Proposal.

Each of the EMR Shareholders (who, as at the date of this document, collectively hold 27.21% of the issued capital of the Company) have also confirmed to the Company that they intend to vote in favour of the Resolutions required to approve the Proposed Transactions subject to there not being any Superior Proposal, the Board continuing to recommend that Shareholders vote in favour of the Proposed Transactions, and the Independent Expert concluding that the Southey Vend-in and Cornerstone Placement to YK are fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders in the absence of a Superior Proposal.

The holders of the convertible notes on issue in the Company (including the EMR Shareholders (or their affiliates)) have also agreed to convert their convertible notes before or upon the completion of the Proposed Transactions. The terms of the convertible notes have also been amended such that the convertible notes convert at conversion prices in effect at the date of the Implementation Agreement, on a basis which is inter-conditional with the Proposed Transactions.

4.2 RESOLUTION 1: APPROVAL OF THE ISSUE OF THE CONSIDERATION SHARES AND YK CORNERSTONE SHARES TO YK

4.2.1 Overview

As set out above, pursuant to the:

(a) Implementation Agreement, YK has agreed to subscribe for, and the Company has agreed to issue, the Consideration Shares; and

(b) YK ESA, YK has agreed to subscribe for, and the Company has agreed to issue, the YK Cornerstone Shares,

in each case, subject to, and conditional on, Shareholders approving the issue of the Consideration Shares and the YK Cornerstone Shares to YK for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes.

Resolution 1 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes for the Company to issue the Consideration Shares and the YK Cornerstone Shares to YK. If Shareholder approval is obtained under item 7 of section 611 of the Corporations Act, in accordance with exception 8 in Listing Rule 7.2, separate approval for the issuance of the Consideration Shares and the YK Cornerstone Shares to YK is not required under Listing Rule 7.1.

An Independent Expert's Report has been prepared by the Independent Expert to assess the fairness and reasonableness of the proposed acquisition of the Voting Power and Relevant Interest by the YK which will result from the issuance of the Consideration Shares and the YK Cornerstone Shares to YK if this Resolution 1 (and the inter-conditional Resolutions 2 – 8) is approved by Shareholders.

The Independent Expert has determined that is **not fair but reasonable** and therefore in the **best interests of Shareholders** in the absence of a Superior Proposal. The Independent Expert's Report can be found in Annexure A to this Explanatory Memorandum and Shareholders are advised to carefully read the Independent Expert's Report before deciding on how to vote on this Resolution 1.

4.2.2 Legislative regime

The Takeovers Prohibition

Section 606(1) of the Corporations Act states that a person must not acquire a Relevant Interest in the issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of the transaction, that person's or someone else's Voting Power in the Company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%,

(the **Takeovers Prohibition**).

Voting Power

The Voting Power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's Voting Power in a Company involves determining the voting shares in the Company in which the person and the person's Associates have a "relevant interest".

Associates

Section 12 of the Corporations Act provides that a person (**Second Person**) will be an 'associate' of the other person (**Primary Person**) if one or more of the following paragraphs applies:

(a) the Primary Person is a body corporate and the Second Person is:

  (i) a body corporate the Primary Person controls;

  (ii) a body corporate that controls the Primary Person; or

  (iii) a body corporate that is controlled by an entity that controls the Primary Person;

(b) the Second Person has entered or proposes to enter into a relevant agreement with the Primary Person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; or

(c) the Second Person is a person with whom the Primary Person is acting or proposed to act, in concert in relation to the Company's affairs.

Relevant Interests

Section 608(1) of the Corporations Act sets out the basic rules of what constitutes a 'relevant interest'. A person has a "relevant interest" in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

YK and its Associates do not, as at the date of this Notice of Meeting have a Relevant Interest in any Shares of the Company. However, as a result of the issuance of the Consideration Shares and the YK Cornerstone Shares to YK (should Shareholders approve this Resolution 1 and Resolution 2), YK and its Associates will acquire a Relevant Interest in excess of 20% of the Company's Shares.

Therefore, the issuance of the Consideration Shares and the YK Cornerstone Shares to YK would be in breach of the Takeover Prohibition unless such acquisition is made pursuant to an exception contained in the Corporations Act to the Takeover Prohibition.

4.2.3 Reason approval is required under item 7 of section 611 of the Corporations Act

Item 7 of section 611 of the Corporations Act provides an exception to the Takeover Prohibition, whereby a person may make an otherwise prohibited acquisition of a Relevant Interest in a company's voting shares if Shareholder approval is obtained.

As noted above, YK does not currently have a Relevant Interest in any Shares of the Company. In the event that YK is issued the Consideration Shares and the YK Cornerstone Shares, the Voting Power of YK will increase from a starting point that is below 20% to above 20%. Section 4.2.4(b) below details the potential maximum increase in Voting Power of YK, as a result of the issue of the Consideration Shares and YK Cornerstone Shares.

Accordingly, Shareholder approval is required under item 7 of section 611 of the Corporations Act to enable the issue of the Consideration Shares and the YK Cornerstone Shares to YK.

Pursuant to Listing Rule 7.2 (Exception 8), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of item 7 of section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities the subject of this Resolution 1 to YK, the Company will retain the flexibility to issue equity securities in the future up to its available placement capacity under Listing Rule 7.1.

4.2.4 Specific information required by item 7 of section 611 of the Corporations Act

The following information is required to be provided to the Shareholders under the Corporations Act in respect of obtaining Shareholder approval under the exception in item 7 of section 611 of the Corporations Act.

Shareholders are also referred to the Independent Expert's Report for Resolution 1 contained in Annexure A to this Explanatory Memorandum.

(a) **Identity of acquirer and its Associates**: The identity of the person proposing to acquire the YK Cornerstone Shares and the Consideration Shares is YK Hong Kong, a wholly-owned subsidiary of YK. Under the Implementation Agreement, YK may nominate a subsidiary to receive the Consideration Shares and YK Cornerstone Shares and YK has advised that it intends to nominate YK Hong Kong to acquire the YK Cornerstone Shares and the Consideration Shares. As at the date of this Explanatory Memorandum, neither YK, YK Hong Kong nor their Associates have a Relevant Interest in any Shares.

YK is listed on the Hong Kong and Shanghai stock exchanges, with a significant independent institutional shareholder base, but is approximately 52.83% owned by Shandong Energy Co., Ltd (**Shandong Energy**) as of 18 November 2024. Shandong Energy is a Chinese state-owned enterprise based in Shandong, China, which is 90% directly and indirectly owned by the State-owned Assets Supervision and Administration Commission of Shandong Province, China (**Shandong SASAC**).

YK was established in 1997 and is a China based international comprehensive energy company primarily engaged in mining, high-end chemical and new materials, new energy, high- end equipment manufacturing and smart logistics business.

The products of YK mainly include thermal coals for large power plants, coking coal for metallurgical production, high-quality low-sulfur coal for pulverized coal injections and chemical products such as methanol and acetic acid, etc.

Further details on YK can be located at:
http://www.yanzhoucoal.com.cn/node_51522.html

(b) **Relevant Interests and Voting Power**: The Relevant Interests of YK in the voting shares of the Company and YK's Voting Power in the Company are both currently nil. As set out above, the number of:

(i) Consideration Shares issued to YK will be equal to the Purchase Price (converted into AUD at the Exchange Rate on the Business Day before Completion) divided by A$0.50 per Share. Therefore, the number of Consideration Shares will depend on (A) the Exchange Rate on the Business Day prior to Completion and (B) whether there are any Purchase Price adjustments under the Implementation Agreement and

(ii) YK Cornerstone Shares issued to YK under the Cornerstone Placement will be equal to the total amount actually subscribed for under the Cornerstone Placement by YK expressed in USD (converted into AUD at the Exchange Rate on the Business Day before Completion) divided by A$0.50 per Share. Therefore, the number of YK Cornerstone Shares will depend on (A) the Exchange Rate on the Business Day prior to Completion; (B) whether Highfield raises more than US$220 million under the Cornerstone Placement and (C) if so, whether YK elects to reduce the amount for which it subscribes under the Cornerstone Placement to below its US$90 million commitment.

Accordingly, YK's Relevant Interests in the voting shares of the Company and Voting Power in the Company following the issuance of the Consideration Shares and the YK Cornerstone Shares to it (should Shareholders approve Resolutions 1 to 8) will be determined by reference to the formulae set out above.

The table below sets out worked examples of YK's Voting Power in the Company at various assumed Exchange Rates and adjustments to the Purchase Price under the Implementation Agreement. The worked examples assume that YK subscribes for its maximum committed amount of US$90 million worth of YK Cornerstone Shares (noting that this could be reduced, potentially to zero, under the mechanism described in Section 4.1.4 if additional funds are received from Other Strategic Investors) and that the Cornerstone Placement does not raise more than US$220 million (noting that either of these eventualities would result in a reduction in YK's Voting Power), as well as the additional assumptions set out in Section 4.2.4(c) below.

#	Exchange Rate	Adjustment to Purchase Price	Voting Power after the issue of the YK Cornerstone Shares and the Consideration Shares	Relevant Interests after the issue of the YK Cornerstone Shares and the Consideration Shares
1	0.63	(US$5 million)	53.3%	1,190,626,688 Shares
2	0.63	Nil	53.6%	1,206,499,704 Shares
3	0.63	US$5 million	54.0%	1,222,372,720 Shares
4	0.64	(US$5 million)	53.1%	1,172,023,146 Shares
5	0.64	Nil	53.4%	1,187,648,146 Shares
6	0.64	US$5 million	53.8%	1,203,273,146 Shares
7	0.65	(US$5 million)	52.9%	1,153,992,020 Shares
8	0.65	Nil	53.2%	1,169,376,636 Shares
9	0.65	US$5 million	53.6%	1,184,761,251 Shares

(c) **Summary of increase**: As evidenced from the formulae set out in Section 4.2.4(b) above, the maximum Relevant Interest in Shares that YK will hold after completion of the issue of

the Consideration Shares and the YK Cornerstone Shares to it will depend on (A) the Exchange Rate on the Business Day prior to Completion and (B) whether there are any Purchase Price adjustments under the Implementation Agreement.

Based on the assumptions in the table in in Section 4.2.4(b) above, the maximum Relevant Interest in Shares that YK will hold after completion of the issue of the Consideration Shares and the YK Cornerstone Shares is 1,190,626,688 Shares and the maximum Voting Power that YK (and its Associates) will hold is 53.3% (per item 1 in the table in Section 4.2.4(b) above.

The following additional assumptions have been made in calculating the Relevant Interest and Voting Power of the YK (and its Associates):

(i) the Company has 474,077,043 Shares on issue as at the date of this Notice of Meeting;

(ii) Shareholders approve the issuance of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors (see Section 4.3 below for further information) and the Other Strategic Investor Cornerstone Shares have been issued;

(iii) all of the convertible notes on issue in the Company are converted resulting in the issuance of 154,487,158 Shares (at an Exchange Rate of 0.64);

(v) the Company does not issue any additional Shares prior to the date of the Meeting; and

(iii) YK (and its Associates) do not acquire any additional Shares prior to the date of the Meeting.

(d) **Reasons for issue of the Consideration Shares and the YK Cornerstone Shares**: Please refer to Section 4.1.5 and Section 4.1.6 above which details the reasons to vote for or against the Resolutions to approve the Proposed Transactions.

(e) **Date of proposed issue of the Cornerstone Shares and the YK Consideration Shares**: If the Resolutions proposed to approve the Proposed Transactions are approved by Shareholders, and all other Conditions Precedent to Completion in the Implementation Agreement and ESAs are satisfied or waived (where capable of waiver), the completion of the Proposed Transactions (and the issuance of the Consideration Shares and YK Cornerstone Shares) is expected to occur in the first half of calendar year 2025[13].

(f) **Material terms of the Southey Vend-in and Cornerstone Placement**: Please refer to Sections 4.1.3 and 4.1.4 for details of the material terms of the Implementation Agreement and ESAs.

The Consideration Shares and YK Cornerstone Shares are fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares of the Company with effect on and from their date of issue.

(g) **Details of the terms of any other relevant agreement between YK and Highfield that is conditional on (or directly or indirectly depends on) Shareholder approval of the Proposed Transactions Resolutions**: Please see Sections 4.1.3 and 4.1.4 for the material terms of the Implementation Agreement and ESAs.

(h) **Intentions**: Other than as disclosed elsewhere in this Explanatory Memorandum, the Company understands that the YK and its Associates:

(i) have no present intention of making any significant changes to the business of the Company;

(ii) have no present intention to inject further capital into the Company;

[13] The Proposed Transactions will not proceed unless all of the Conditions Precedent are satisfied (or waived, if applicable) before 31 March 2025 (or such later date as may be agreed by YK) in accordance with the Implementation Agreement.

(iii) have no present intention of making changes regarding the future employment of the present employees of the Company;

(iv) do not intend to redeploy any fixed assets of the Company;

(v) do not intend to transfer any property of the Company; and

(vi) have no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to the YK and its Associates at the date of this Notice of Meeting.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(i) **Details of the proposed Board if the Proposed Transactions are approved and all other conditions precedent to completion of the Proposed Transactions are satisfied (or as applicable, waived)**: If the Proposed Transactions proceed to Completion, YK intends to appoint the following nominees to the Board:

(a) Mr Zhao Zhiguo;

(b) Mr Zhang Zhaoyun;

(c) Dr Zhang Lei;

(d) Mr Hou Qingdong; and

(e) Mr Li Jie.

In addition, if the issuance of the Cornerstone Shares to the Cornerstone Investors is approved by Shareholders, Beijing Energy intends to appoint Mr Huang Hui to the Board.

Brief biographical details for each of the proposed YK nominees to the Board are set out in Resolutions 3, 4, 5, 6 and 7.

(j) **Interests and recommendations of Directors**: None of the current Board members, have a material personal interest in the outcome of Resolution 1, other than in their capacity as Shareholders or economic beneficiaries of a Shareholder on the same basis as all other non-associated Shareholders.

The Directors' Relevant Interests in Shares as at the date of this Notice are as follows:

Director	Number of Shares held (directly or indirectly)	Existing Voting Power
Ignacio Salazar	239,700	0.051%
Paul Harris	Nil	0.00%
Pauline Carr	78,829	0.017%
Roger Davey	9,251	0.001%
Luke Anderson	529,293	0.112%

Each Director intends to vote (or procure the voting of) all Shares held or controlled by them in favour of the Resolutions to approve the Proposed Transactions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Southey Vend-in and Cornerstone Placement to YK are fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders in the absence of a Superior Proposal.

All of the Directors are of the opinion that the issuance of the Consideration Shares and the YK Cornerstone Shares to YK is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 1 in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Southey Vend-in and Cornerstone Placement to YK are fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders in the absence of a Superior Proposal. The Directors recommendations are based on the reasons outlined in Section 4.1.5 above.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass this Resolution 1.

(k) **Capital structure**: The capital structure of the Company following the issuance of the Consideration Shares and the YK Cornerstone Shares will be determined by reference to the formulae set out in Section 4.2.4(b) above.

Set out below are worked examples of the number of Shares in the Company on issue at various assumed Exchange Rates and adjustments to the Purchase Price under the Implementation Agreement. The worked examples assume that YK subscribes for its maximum committed amount of US$90 million worth of YK Cornerstone Shares and that the Cornerstone Placement does not raise more than US$220 million, as well as the additional assumptions set out in Section 4.2.4(c) above:

#	Exchange Rate	Adjustment to Purchase Price	Total number of Shares after the issue of the YK Cornerstone Shares and the Consideration Shares[1]
1	0.63	(US$5 million)	2,233,640,877 Shares
2	0.63	Nil	2,249,513,893 Shares
3	0.63	US$5 million	2,265,386,908 Shares
4	0.64	(US$5 million)	2,206,837,347 Shares
5	0.64	Nil	2,222,462,347 Shares
6	0.64	US$5 million	2,238,087,347 Shares
7	0.65	(US$5 million)	2,180,858,542 Shares
8	0.65	Nil	2,196,243,157 Shares
9	0.65	US$5 million	2,211,627,772 Shares

1. Includes the Other Strategic Investor Cornerstone Shares and the issuance of 154,487,158 Shares (at an Exchange Rate of 0.64) on conversion of all of the convertible notes on issue in the Company.

In addition to the Shares, the Company will have the following securities on issue:

Type of security	Number on issue as at the date of this Notice of Meeting	Number on issue following the issue of the Consideration Shares and the YK Cornerstone Shares[1]
Unlisted options	12,136,037	12,136,037
Unlisted convertible notes	2,652	Nil

1. Includes the Other Strategic Investor Cornerstone Shares and the issuance of 154,487,158 Shares (at an Exchange Rate of 0.64) on conversion of all of the convertible notes on issue in the Company.

A voting exclusion statement for Resolution 1 is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 1 in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Southey

Vend-in and Cornerstone Placement to YK are fair and reasonable, or is not fair but is reasonable, or is in the best interests of Shareholders in the absence of a Superior Proposal.

If Resolution 1 (and the inter-conditional Resolutions 2 – 8) is passed, the Company will be able to proceed with the issue of the Consideration Shares and the YK Cornerstone Shares to YK (assuming completion of the Proposed Transactions occurs).

If either Resolution 1 or Resolutions 2 – 8 are not passed, the Company will not be able to proceed with Southey Vend-in or the issue of the Consideration Shares and YK Cornerstone Shares to YK the Company will need to give consideration to what other options are available to it to fund its ongoing operations. If no viable options exist, the Company may need to be placed into voluntary administration.

The Chair intends to vote undirected proxies in favour of Resolution 1.

4.3 RESOLUTION 2: APPROVAL OF THE ISSUE OF THE OTHER STRATEGIC INVESTOR CORNERSTONE SHARES

4.3.1 Overview

As set out in Section 4.1.4 above, the Cornerstone Placement involves the issue of up to US$220 million worth of new Shares at an issue price of A$0.50 per new Share.

The total number of Cornerstone Shares to be issued under the Cornerstone Placement will be equal to the total amount subscribed for under the Cornerstone Placement expressed in USD (converted into AUD at the Exchange Rate on the Business Day before Completion) divided by A$0.50 per Share. Of these, the YK Cornerstone Shares (calculated by dividing US$90 million (reduced at YK's election in the circumstances described in Section 4.1.4 above and converted into AUD at the Exchange Rate on the Business Day before Completion) by A$0.50 per Share) will be issued to YK.

The Other Strategic Investor Cornerstone Shares (being the total number of Cornerstone Shares less the YK Cornerstone Shares) will be issued to the Other Strategic Investors. In particular, in respect of an Other Strategic Investor, the number of Other Strategic Investor Cornerstone Shares issued to it will be calculated by dividing the amount it has subscribed for under the Cornerstone Placement expressed in USD (converted into AUD at the Exchange Rate on the Business Day before Completion) by A$0.50 per Share.

Resolution 2 seeks Shareholder approval for the purposes of Listing Rule 7.1 and for all other purposes for the issue of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors without using the Company's placement capacity under ASX Listing Rule 7.1.

If Resolution 2 (and the inter-conditional Resolution 1) is not passed, the Company will not be able to proceed with the issuance of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors and, as a result, the Proposed Transactions will not proceed to completion and the Company will need to give consideration to what other options are available to it to fund its ongoing operations. If no viable options exist, the Company may need to be placed into voluntary administration.

If Resolution 2 (and the inter-conditional Resolution 1) is passed, the Company will be able to proceed with the issuance of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors and, as a result, the Proposed Transactions will proceed to completion (assuming the satisfaction or, if relevant, waiver) of all other Conditions Precedent).

4.3.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

By approving this Resolution 2 (and the inter-conditional Resolution 1), the issue of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors will be approved for the purposes of Listing Rule 7.1. Accordingly, this Resolution 2 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors.

4.3.3 Information required by Listing Rule 7.3

Listing Rule 7.3 sets out a number of items which must be included in a notice of meeting proposing an approval for an issue of securities under ASX Listing Rule 7.1. The following information is provided in accordance with ASX Listing Rule 7.3:

(a) **Name of person to whom the entity will issue the securities or the basis upon which those persons were or will be identified or selected**: The Other Strategic Investor Cornerstone Shares are proposed to be issued to the Other Strategic Investors, the identity of whom will be determined by the Board in its sole and absolute discretion. In accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that no related parties of the Company, members of the Company's key management personnel, substantial holders of the Company, advisers of the Company or an Associate of any of these parties will be allocated Shares under the Cornerstone Placement.

(b) **The number and class of securities the entity will issue**: The number of Other Strategic Investor Cornerstone Shares proposed to be issued under the Cornerstone Placement will be calculated dividing the amount the Other Strategic Investors have has subscribed for under the Cornerstone Placement expressed in USD (converted into AUD at the Exchange Rate on the Business Day before Completion) by A$0.50 per Share.

The table below sets out worked examples of the number of Other Strategic Investor Cornerstone Shares issued at various assumed Exchange Rates:

#	Exchange Rate	Total number of Other Strategic Investor Cornerstone Shares to be issued
1	0.63	412,698,413 Shares
2	0.64	406,250,000 Shares
3	0.65	400,000,000 Shares

(c) **If the securities are not fully paid ordinary securities, a summary of the material terms of the securities**: The Other Strategic Investor Cornerstone Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares of the Company with effect on and from their date of issue.

(d) **The dates or dates on or by which the entity will issue the securities**: The Company will ensure that the Other Strategic Investor Cornerstone Shares are issued to the Other Strategic Investors no later than three months of the date that Shareholders approve the issue of the Other Strategic Investor Cornerstone Shares to the Other Strategic Investors.

(e) **The price or other consideration the entity will receive for the issue of the securities**: The Other Strategic Investor Cornerstone Shares will be issued at a price of A$0.50 per Share.

(f) **The purpose of the issue, including the use or intended use of any funds raised by the issue**: Funds raised from the issue of the Cornerstone Shares will be used to fund the development of the Muga Project, to pay the costs of the Proposed Transaction and for general working capital purposes.

(g) **If the securities are being issued under an agreement, a summary of the material terms of the agreement**: The Other Strategic Investor Cornerstone Shares are being issued under the ESAs. A summary of the material terms of the ESAs is set out above in Section 4.1.4.

(h) **If securities are being issued under, or to fund, a reverse takeover, information about the reverse takeover**. The Other Strategic Investor Cornerstone Shares are not being issued under, or to fund, a reverse takeover.

A voting exclusion statement for Resolution 2 is included in the Notice of Meeting.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

The Chair intends to vote undirected proxies in favour of Resolution 2.

4.4 RESOLUTIONS 3 – 8: ELECTION OF DIRECTORS

The Implementation Agreement and the ESAs contemplate that following completion of the Proposed Transactions, YK will have the right to appoint a majority of Directors to the Board and Beijing Energy will have the right to appoint one Director to the Board.

YK proposes to appoint the following individuals to the Board:

(a) **Mr. ZHAO Zhiguo**

Mr. Zhao Zhiguo, born in April 1978, is a senior accountant with extensive experience in financial management, investment, and capital securitization. He currently serves as the Chief Financial Officer of YK.

Starting from August 2016, Mr. Zhao served as a Member of the CPC Heze Coal-fired Power Committee and the Chief Accountant of Linyi Mining Group Heze Coal-fired Power Co., Ltd. In September 2017, he was appointed as the Deputy Director of the Finance Department (presided over work) and the Deputy Head of the Capital Securitization Leadership Work Office at Linyi Mining Group Co., Ltd. By August 2018, he had advanced to become the Director of the Finance Department, Head of the Big Data Analysis Office, and Deputy Head of the Capital Securitization Leadership Work Office at Linyi Mining Group Co., Ltd.

In October 2021, Mr. Zhao joined Shandong Energy Group Co., Ltd. as a Senior Member of the Finance Management Department. In February 2022, Mr. Zhao started to work as the Head of the Finance Management Department of YK. In October 2023, he was appointed as the Chief Financial Officer of YK.

Mr. Zhao graduated from Shaanxi University of Science and Technology with a Bachelor's degree.

As at the date of this Explanatory Memorandum, Mr. Zhao Zhiguo does not hold any securities in Highfield.

(b) **Mr. ZHANG Zhaoyun**

Mr. Zhang Zhaoyun, born in October 1980, is a Senior Engineer with a master's degree in engineering. He currently serves as the Chief Engineer of YK.

In August 2017, Mr. Zhang started his role as the Chief Engineer of Xinglongzhuang Coal Mine of the company. In January 2022, he was appointed as the Chief Engineer of Baodian Coal Mine. By April 2022, he took on the positions of Deputy Secretary of the CPC Xinglongzhuang Coal Mine Committee and General Manager of Xinglongzhuang Coal Mine. His leadership and expertise led to his appointment as Deputy Secretary of the CPC Dongtan Coal Mine Committee and General Manager of Dongtan Coal Mine in May 2023. In June 2024, Mr. Zhang was promoted to the position of Chief Engineer of YK.

Mr. Zhang graduated from Shandong University of Science and Technology with a master's degree in engineering.

As at the date of this Explanatory Memorandum, Mr. Zhang Zhaoyun does not hold any securities in Highfield.

(c) **Dr. ZHANG Lei**

Dr. Zhang Lei is the Chief Investment Officer of YK and the CEO of Yancoal International Holding. He is also a Master-Degree-Graduate Mentor at Beijing National Accounting University and an Expert at the Ministry of Education Degree Centre.

From March 2014 to March 2020, Dr. Zhang served as the Chief Financial Officer of Yancoal Australia (ASX: YAL, HK: 3668). Prior to this, he was the Senior Vice President, Director and General Manager of Korean SK Great China from March 2013 to March 2014. Between July 2012 and March 2013, he held the position of General Manager of M&A Commercial Finance at Shell Far-East Region. From September 2010 to June 2012, Dr. Zhang was the Executive Director and Chief Financial Officer of Chinalco Mining International (HKEX: 3883), as well as the Vice President and Chief Financial Officer of Chinalco Overseas Holding. He also served as the Vice President of Siemens Ltd., China and Cluster CFO of Siemens Real Estate North East Asia from September 2008 to September 2010.

Dr. Zhang holds a Doctorate in Economics from the Graduate School of the Chinese Academy of Social Sciences, and an MBA from Guanghua School of Management of Peking University. He is a Certified International Accountant, CPA Australia, Chartered Dealer of China Inter-bank Market, and holds a China Bond Custody Qualifying Certificate.

As at the date of this Explanatory Memorandum, Dr. Zhang Lei does not hold any securities in Highfield.

(d) **Mr. HOU Qingdong**

Mr. Hou Qingdong, born in November 1973, is the Director of the Strategic Planning Department at YK. He holds senior economist and senior statistician qualifications.

Since October 2024, Mr. Hou has been serving as the Director of the Strategic Planning Department at YK. Prior to this, he was the Director of the Investment and Development Department from December 2019 to October 2024. From December 2014 to December 2019, he served as the Deputy Director of the Investment and Development Department at Yanzhou Coal Mining. Between December 2011 and December 2014, he was the Deputy General Manager of the Shandong Coal Trading Center. From November 2008 to December 2011, Mr. Hou worked as a Section Officer in the Planning Department, Statistics Section of Yankuang Group. He also held the position of Deputy Section Officer in the Statistics Section, Planning Department from April 2003 to November 2008. Earlier in his career, he was the Deputy Section Officer in the Market Management Section, Market Guidance Center of Yankuang Group Industrial Company from March 2003 to

April 2003, and a Section Officer in the Market Guidance Center from June 2002 to March 2003.

Mr. Hou holds an MBA from Yunnan Normal University and an undergraduate degree in Mathematics from Qufu Normal University. In October 2020, he received the Outstanding Individual Award from the China Coal Industry Association.

As at the date of this Explanatory Memorandum, Mr. Hou Qingdong does not hold any securities in Highfield.

(e) **Mr. LI Jie**

Mr. Li Jie is the Managing Director and President of Yancoal Canada Resources Co., Ltd. He also serves as a Master-Degree-Graduate Enterprise Mentor at China University of Geosciences (Beijing), an Expert for the 863 Program of the Ministry of Science and Technology, and a Project Expert for the China Association of Small and Medium Enterprises.

Since November 2021, Mr. Li has been the Managing Director of Yancoal Canada. Prior to this, he was the Executive Vice President of Yancoal Canada from June 2018 to October 2021, and the Vice President & Chief Engineer of Yancoal Canada from May 2015 to May 2018. From May 2014 to April 2015, he served as the Chief Engineer of Yankuang Guizhou Kaiyang Chemical Company. Between November 2003 and March 2014, he held various roles at Yankuang Guohong Chemical Company, including Vice Chief Engineer, Director of the Technology Department, Director of HSE, and Director of the Project Preparation Office. Earlier in his career, he was the Vice Chief Engineer of the Large Chemical Preparation Office of Yankuang Resources Development Department from January 2001 to October 2003, and the Assistant Engineer, Deputy Director, and Director of Yankuang Tangcun Industrial Company from September 1997 to December 2000. Mr. Li has extensive work experience in both China and Canada.

Mr. Li holds an MBA from Missouri State University, USA, a Doctoral Completion Certificate in Chemical Engineering from East China University of Science and Technology (ECUST), a Master's degree in Chemical Engineering from ECUST, and a Bachelor's Degree in Chemical Engineering from Shandong University. He is a Certified National Registered Safety Engineer and a Professor-level Senior Engineer of China.

Throughout his career, Mr. Li has received numerous awards and recognitions, including the National Energy Science & Technology Progress Award, two Provincial and Ministerial-level Science & Technology Progress Awards (one from Shandong Province and one from the Ministry of Education), the First Prize for Science & Technology Progress from the Shandong Provincial Coal Association, and the Second Prize for Natural Science from Jining City. He has published more than ten papers, participated in writing over ten feasibility study reports, and has been authorized three national invention patents and seven utility model patents. Additionally, he has contributed to the writing of two provincial local standards

As at the date of this Explanatory Memorandum, Mr. Li Jie does not hold any securities in Highfield.

Beijing Energy proposes to appoint **Mr. Huang Hui** (Beijing Energy's Chief Financial Officer and Vice President) as its nominee on the Board.

(f) Mr. Huang Hui was born in November 1972 and currently serves as Beijing Energy's Chief Financial Officer and Vice President. Being the Chief Financial Officer of Beijing Energy, Mr. Huang Hui has extensive experiences in the field of investment, financing, financial

management and mergers and acquisitions. Highfield believes that Mr. Huang Hui's expertise will be helpful to Highfield in terms of securing finance for its projects as well as future business expansion.

Mr Huang Hui's previous experience also includes the positions of accountant for the Inner Mongolia Electric Power Cultural Troupe, being director of the Price Management Department, Finance Department for the Inner Mongolia Electric Power (Group) Co., Deputy Manager of Finance the Finance Department of Beijing Jingneng International Energy Co., Ltd, Chief Accountant and Secretary of the board of directors of Beijing Jingneng Thermal Power Co., Ltd, Chief Accountant of Beijing Jingneng Clean Energy Power Co., Ltd. (HK. 00579) and Deputy Director of Financial Management Department of Beijing Energy Group Co., Ltd.

Mr Huang Hui holds a Master of Business Administration from the North China Electric Power University. Mr Huang Hui was also a student majoring in Monetary Banking at the Finance Department of Inner Mongolia University of Finance and Economics.

As at the date of this Explanatory Memorandum, Mr Huang Hui does not hold any securities in Highfield.

It is expected that, with effect from completion of the Proposed Transactions, Mr Zhao Zhiguo, Mr Zhang Zhaoyun, Dr Zhang Lei, Mr Hou Qingdong, Mr Li Jie and Mr Huang Hui will, subject to Resolutions 3 – 8 (inclusive) taking effect, be appointed to the Board. In order to meet the requirements of the Implementation Agreement and reflect the post completion ownership, two of the existing Directors of Highfield will leave the Board with effect from completion of the Proposed Transactions.

As discussed above, for the Proposed Transactions to proceed, Resolutions 1 and 2 must be passed at the Meeting. Resolutions 3 – 8 (inclusive) will be subject to and conditional on completion of the Proposed Transactions having occurred. This means that if Resolutions 1 and 2 are not passed, the Proposed Transactions will not proceed, and the election of the above named individuals as Directors will not proceed or be implemented. If Resolutions 3 – 8 (inclusive) are not approved, the proposed directors will not be appointed and unless the relevant Condition Precedent is waived by the parties, the Proposed Transactions will not proceed.

The Directors unanimously recommend that Shareholders vote in favour of Resolutions 3 – 8 (inclusive).

The Chair intends to vote undirected proxies in favour of Resolutions 3 – 8 (inclusive).

5. CONSENTS AND DISCLAIMERS

(a) The following parties have given, and have not withdrawn before the date of this Explanatory Memorandum, their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

(i) Automic, as the manager of the Highfield register of shareholders;

(ii) MinterEllison and Herbert Smith Freehills as Australian legal advisers to Highfield.

(b) The Independent Expert has given and has not withdrawn its consent to be named in this Explanatory Memorandum and to the inclusion of the Independent Expert Report in Annexure A to this Explanatory Memorandum and to the references to the Independent Expert Report in this Explanatory Memorandum being made in the form and context in which such reference is included.

(c) YK has given, and has not withdrawn, its consent in relation to the inclusion of the YK Information in this Explanatory Memorandum and to the references to that information in this Explanatory Memorandum in the form and context in which that information is included.

(d) Each person named in this Section 5:

(i) has not authorised or caused the issue of this Explanatory Memorandum;

(ii) does not make, or purport to make, any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based, other than as specified in this Section 5; and

(iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Explanatory Memorandum, other than a reference to its name and the statement (if any) included in this Explanatory Memorandum with the consent of that party as specified in this Section 5.

6. GLOSSARY

Associate has the meaning set out in section 12(2) of the Corporations Act, where for the purposes of section 12, the 'designated body' is the Third Party.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules or **Listing Rules** means the official ASX Listing Rules of the ASX.

Automic or **Share Registry** means Automic Group, the Company's Share Registry.

Beijing Energy means Beijing Energy International Holding Co., Ltd.

Board means the board of Directors of the Company.

Business Day means any day that is each of the following:

(a) a Business Day within the meaning given in the ASX Listing Rules; and

(b) a day that banks are open for business in Adelaide, Australia

Chair means the individual elected to chair the Meeting.

Company or **Highfield** means Highfield Resources Limited ACN 153 918 257.

Competing Proposal means any bona fide proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate) may:

(a) directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 15% or more of the Shares;

(b) acquire Control of Highfield or any subsidiary of Highfield;

(c) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or Control of, all or a material part of Highfield's business or assets, or the business or assets of the Highfield Group, or the Muga Project;

(d) otherwise directly or indirectly acquire or merge with any Highfield Group Member;

(e) provide a substantial portion of the remaining funding for phase 1 of the Muga Project; or

(f) require Highfield to abandon, or otherwise fail to proceed with, the Southey Vend-in,

whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, any form of debt or hybrid financing, any royalty-related financing or other transaction or arrangement, provided that the issuance of Shares (i) under the ESAs or (ii) under the Institutional Placement, will not constitute a Competing Proposal.

Completion Date means the date on which completion of the Southey Vend-in occurs (provided that (i) such date is no later than five Business Days after the Conditions Precedent (other than the Conditions Precedent which by nature are not capable of waiver or that are incapable of satisfaction until completion) have been satisfied or waived and (ii) the Conditions Precedent that are incapable of satisfaction until completion are satisfied on, or have been waived on or by the same date as completion), or any other date agreed in writing by Highfield and YK.

Conditions Precedent means each of the Conditions set out in Schedule 3 of the Implementation Agreement.

Consideration Shares has the meaning given to that term in Section 4.1.3 of the Explanatory Memorandum.

Cornerstone Investors means YK and the Other Strategic Investors.

Cornerstone Placement has the meaning given to that term in Section 4.1.2 of the Explanatory Memorandum.

Cornerstone Shares has the meaning given to that term in Section 4.1.4 of the Explanatory Memorandum.

Corporations Act means the *Corporations Act 2001* (Cth).

Director or **Directors** means a director or directors of the Company.

Director Appointments has the meaning given to that term in Section 4.1.2 of the Explanatory Memorandum.

EMR Shareholders means each of:

(a) EMR Capital GP Limited as general partner of EMR Capital Resources Fund, LP;

(b) EMR Capital Investment (No.2B) Pte. Ltd.;

(c) Potash (Muga) and Copper (Patagonia) Holdings Limited (formerly known as EMR Capital Investment (No. 3) Cayman Ltd) (formerly known as EMR Capital Investment (No. 3) Cayman Ltd); and

(d) Meritz Securities Co., Ltd.

ESA means equity subscription agreement.

Exchange Rate means the AUD:USD exchange rate at the applicable time.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice.

FDI means foreign direct investment.

FIRB means the Foreign Investment Review Board.

Geoalcali means GEOALCALI, S.L.U., a Spanish company with registered address at Avda. Carlos III, 13, 1º B, Pamplona/Iruña, Navarra (Spain), which is an indirectly wholly owned subsidiary of Highfield.

Grant Thornton means Grant Thornton Corporate Finance Pty Limited ACN 003 265 987.

HFR Website means www.highfieldresources.com.au.

Highfield Group means Highfield and each of its Related Bodies Corporate (other than the Yancoal Target Group) and **Highfield Group Member** means any member of the Highfield Group.

Highfield Information means all information regarding the Highfield Group and the Muga Project prepared for and/or provided on behalf of Highfield in writing for inclusion in this Explanatory Memorandum.

Highfield Material Adverse Change means an event, change, condition, matter, circumstance or thing occurring, on or after the date of the Implementation Agreement which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things of a like kind that occur on or after the date of the Implementation Agreement or are reasonably likely to occur, has or would be considered reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Highfield Group taken as a whole. For the avoidance of doubt, it shall be taken to be a Highfield Material Adverse Change if, without limiting the foregoing, (i) Highfield no longer has going concern status under the Accounting Standards issued by the Australian Accounting Standards Board; or (ii) a material authorisation for the Muga Project is not in good standing or valid (and remains so for 10 Business Days following written notification from YK to Highfield); or (iii) there exists any Material Impediment (and remains so for 10 Business Days following written notification from YK to Highfield); or (iv) any relevant proceeding (agreed between YK and Highfield prior to the date of entry into the Implementation Agreement) has resulted in, or is likely to result in any Material Impediment.

Highfield Material Contracts means each of the material contracts of the Highfield Group agreed to be a material contract by YK and Highfield prior to the date of the Implementation Agreement.

Highfield Prescribed Occurrence has the meaning given to it in the Implementation Agreement and includes a range of corporate activities primarily related to capital which Highfield is prohibited from undertaking from the date of the Implementation Agreement to either the Completion Date or termination of the Implementation Agreement without the prior consent of YK.

IE or **Independent Expert** means Grant Thornton.

Implementation Agreement means the implementation agreement dated 23 September 2024 entered into between Highfield and YK.

Independent Expert's Report means the report of the Independent Expert in relation to the Proposed Transactions at Annexure A to this Explanatory Memorandum.

Institutional Placement means the institutional placement announced by Highfield to the market on 24 September 2024.

Land Option Agreements means the private agreements entered into by Geoalcali, as beneficiary of the option or purchaser (as the case may be), with respect to the lands, as agreed between Highfield and YK prior to the date of the Implementation Agreement.

Lands under Expropriation Proceedings means the parcels of land identified and agreed between Highfield and YK prior to the date of the Implementation Agreement.

Material Impediment means an event, change, condition, matter, circumstance or thing occurring, on or after the date of the Implementation Agreement which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things of a like kind that occur or are reasonably likely to occur, has or would be considered reasonably likely to have the effect that the construction and development of Phase 1 of the Muga Project cannot commence as soon as reasonably possible after completion of the Southey Vend-in, other than the requirement to pay any third parties any amounts payable to them as disclosed to YK prior to the date of the Implementation Agreement which have not yet been paid and which is required to be paid before construction can commence.

Meeting or **EGM** means the Extraordinary General Meeting convened by the Notice.

Muga or **Muga Project** means Highfield's flagship project, in its current state of development, targeting the relatively shallow sylvinite beds in an area comprised by the Muga Mining Concessions that covers about 46 square kilometres located in the Provinces of Navarra and Aragón in Spain and settled in the mining concessions of Muga, Goyo and Fronterizo.

Muga Mining Concessions means the mining concessions (including exploration permits and exploitation concessions) agreed as Muga Mining Concessions between Highfield and YK prior to the date of the Implementation Agreement.

Non-Associated YK Shareholders means the Shareholders of the Company that are not the YK or its associated entities.

Notice of Meeting or **Notice** means this Notice of Extraordinary General Meeting.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the Meeting.

Other Strategic Investors means each of Beijing Energy, Taizhong and any other Strategic Investor (determined by the Board in its sole and absolute discretion) who enters into an ESA (on substantially the same terms as the ESA with Beijing Energy) with the Company.

Other Strategic Investor Cornerstone Shares has the meaning given to it in Section 4.1.4 of the Explanatory Memorandum.

Pending Land has the meaning given to it in Section 4.1.3(a) of the Explanatory Memorandum.

Primary Person has the meaning given to that term in Section 4.2.2 of the Explanatory Memorandum.

Proposed Transactions has the meaning given to it in Section 4.1.2 of the Explanatory Memorandum.

Proxy Form means the proxy form attached to this Notice of Meeting.

Purchase Price has the meaning given to it in Section 4.1.3 of the Explanatory Memorandum.

Recommendation has the meaning given to that term in Section 4.1.3(c) of the Explanatory Memorandum.

Related Bodies Corporate has the meaning given to that term in the Corporations Act.

Relevant Interest has the meaning given to that term in section 608 of the Corporations Act and other relevant sections of the Corporations Act.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

RG 111 means *Regulatory Guide 111 'Content of expert reports'* issued by ASIC on 22 October 2020, as amended from time to time.

Second Person has the meaning given to that term in Section 4.2.2 of the Explanatory Memorandum.

Shandong Energy means Shandong Energy Co., Ltd.

Shandong SASAC means the State-owned Assets Supervision and Administration Commission of Shandong Province, China.

Share Register means Highfield's share register.

Shareholders means shareholders of the Company.

Shares means fully paid ordinary shares in the Company.

SLR Independent Specialist Report means the Independent Specialist Report prepared by SLR Consulting (Canada) Ltd. attached to the Independent Expert's Report.

Southey Project or **Southey Potash Project** means the greenfield solution potash mine project, in its current state of development, located approximately 60 kilometres north of Regina Saskatchewan within the Rural Municipality of Longlaketon No. 219 and the Rural Municipality of Cupar No. 218, each in the Province of Saskatchewan, Canada consisting of, inter alia, Crown Subsurface Mineral Leases identified as KL 242 and KL 243, the Southey Freehold Surface Properties and all other licences, permits, easements, rights-of-way, certificates and other approvals obtained with respect to such project.

Southey Vend-in has the meaning given to that term in Section 4.1.2 of the Explanatory Memorandum.

Strategic Investor means a strategic investor who enters into an ESA (on substantially the same terms as the ESA with Beijing Energy) with the Company pursuant to which it agrees to subscribe for Cornerstone Shares in the Cornerstone Placement.

Superior Proposal means a bona fide Competing Proposal (and not resulting from a breach by Highfield of any of its obligations under the Implementation Agreement) which the Board, acting in good faith, and after receiving written legal advice from its legal advisor and written advice from its financial advisor, determines:

(a) is reasonably capable of being valued and completed in a timely fashion taking into account all aspects of the Competing Proposal including any timing considerations, any conditions precedent and the identity of the proponent; and

(b) could reasonably be considered, if completed substantially in accordance with its terms, to be more favourable to Highfield and the Shareholders (as a whole) than the Proposed Transactions (as the Transaction may be amended or varied following application of the matching right set out in the Implementation Agreement), taking into account all terms and conditions of the Competing Proposal.

Taizhong means Singapore Taizhong Global Development Pte. Ltd.

Takeovers Prohibition has the meaning given to that term in Section 4.2.2 of the Explanatory Memorandum.

Third Party means any person or entity (including a governmental agency) other than a YK Group Member, a Highfield Group Member, or a Yancoal Target Group Member.

Voting Power has the meaning given in section 610 of the Corporations Act.

Voting Statement has the meaning given to that term in Section 4.1.3(c) of the Explanatory Memorandum.

Yancoal Canada means Yancoal Canada Resources Co., Ltd.

Yancoal Target means Yancoal Canada Resources Holding Co., Ltd.

Yancoal Target Group means Yancoal Target and each of its subsidiaries (if any) and **Yancoal Target Group Member** means any member of the Yancoal Target Group.

Yancoal Target Material Adverse Change means an event, change, condition, matter, circumstance or thing on or after the date of the Implementation Agreement which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things of a like kind that occur on or after the date of the Implementation Agreement are or are reasonably likely to occur, has or would be considered reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Yancoal Target Group taken as a whole. For the avoidance of doubt, it shall be taken to be a Yancoal Target Material Adverse Change if, without limiting the foregoing, either (i) Yancoal Target no longer has going concern status under the Accounting Standards or (ii) a material authorisation for the Southey Project which is in effect as at the date of the Implementation Agreement is not in good standing or valid (and remains so for 10 Business Days following written notification from Highfield to YK).

Yancoal Target Prescribed Occurrence has the meaning given to it in the Implementation Agreement and includes a range of corporate activities primarily related to capital which Yancoal Target is prohibited from undertaking from the date of the Implementation Agreement to either the Completion Date or termination of the Implementation Agreement without the prior consent of YK.

YK means Yankuang Energy Group Co., Ltd. (provided that, under the Implementation Agreement, Yankuang Energy Group Co., Ltd. may nominate a subsidiary to receive the Consideration Shares and YK Cornerstone Shares and YK has advised that it intends to nominate YK Hong Kong, and, accordingly, references in this document to YK in connection with the acquisition of the Consideration Shares and YK Cornerstone Shares and the intentions of YK as the holder of the Consideration Shares and YK Cornerstone Shares shall refer to YK Hong Kong).

YK Hong Kong means Yancoal International (Holding) Company Limited, a wholly-owned subsidiary of Yankuang Energy Group Co., Ltd.

YK Information means all information regarding the Yancoal Target Group, the YK Group and the Southey Potash Project prepared for and/or provided on behalf of YK in writing for inclusion in this Explanatory Memorandum. For the avoidance of doubt, the YK Information excludes the HFR Information, the Independent Expert's Report and any other report or opinion prepared by an external adviser to YK.

YK Cornerstone Shares has the meaning given to it in Section 4.4 of the Explanatory Memorandum.

YK Group means YK and each of its Related Bodies Corporate (other than the Yancoal Target Group), and **YK Group Member** means any member of the YK Group.

Highfield Resources

Independent Expert's Report and Financial Services Guide

17 February 2025

Grant Thornton

Directors
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17 February 2025

Directors

Introduction

All capitalised terms in this report are defined in the glossary included in Appendix E.

1.1 Highfield is a potash company focussed on its 100% owned flagship Muga Project in Spain's potash producing Ebro Basin. The Muga Project covers 40km² within the Navarra and Aragón regions of Spain, with the Company expected to commence full scale construction of the Muga Project in the short term having finalised the initial site preparation and having all necessary permits in place[1]. The Company is listed on the ASX with a market capitalisation of c. A$136 million[2] as at 21 January 2025.

1.2 On 24 September 2024[3], HRL announced that it had entered into the following inter-conditional transactions:

- *Cornerstone Placement* - Equity Subscription Agreements with strategic investors to collectively raise US$170 million by way of the issuance of new HRL Shares at a price of A$0.50 per HRL Share from 1) Yankuang Energy for up to US$90 million; 2) Beijing Energy for US$50 million; and 3) Taizhong for US$30 million. In addition, HRL announced it was seeking to raise an additional US$50 million on the same terms from other strategic investors, which are still pending at the date of this Report. The ESA's in relation to the Cornerstone Placement are subject to, among other conditions, HRL raising at least US$220 million in total under the Cornerstone Placement.

- *Southey Project Acquisition* - A binding implementation agreement with Yankuang Energy pursuant to which HRL has agreed to acquire the Southey Project, based in Saskatchewan, Canada, from Yankuang Energy by way of the direct or indirect acquisition of 100% of the share capital in Yancoal Canada, a wholly owned subsidiary of Yankuang Energy. The consideration for the acquisition of Yancoal Canada is c.

1 Subject to the announcements released to the ASX on 23 and 28 October concerning the Goyo mining concession. See Figure 27 for further details.

2 Source from S&P Capital IQ and based on a share price of A$0.270 per HRL Share and 504 million shares outstanding.

3 On 19 July 2024 HRL disclosed that it had entered into a non-binding Letter of Intent and Cooperation with Yankuang Energy and a number of other strategic investors in relation to the Cornerstone Placement for US$220 million and the acquisition of the Southey Project, however the terms were not released.

US$286 million (subject to completion adjustments) which will be satisfied via the issue of new HRL Shares to the value of that consideration at a price of A$0.50 per HRL Share.

1.3 If the Transaction is implemented, Yankuang Energy will acquire a maximum interest of 53.4% of the HRL Shares on an undiluted basis (assuming no scale back in the amount raised from Yankuang Energy under the Cornerstone Placement and based on the AUD:USD Exchange Rate). Further, immediately after completion of the Transaction, the HRL Board of Directors will be re-constituted with the appointment of Yankuang Energy's nominee directors to the HRL Board (so that Yankuang Energy's nominee directors comprise a majority of the HRL Board) and the appointment of Beijing Energy's nominee director to the HRL Board.

1.4 The Cornerstone Placement and the Southey Project Acquisition are inter-conditional and interdependent on each other, and both need to be approved for the Transaction to proceed. The Transaction is also subject to several conditions precedent detailed in Section 3, which include relevant regulators in Australia, Spain, Canada and China approving the Transaction[4], HRL Shareholders' approval under item 7 of Section 611 of the Corporations Act, receipt of project finance lenders and other material counterparty consent, entry into an offtake agreement between HRL and Yankuang Energy and certain other strategic investors participating in the Cornerstone Placement and HRL entering into ESAs to raise at least US$220 million.

1.5 Recently, HRL has raised c. US$15 million (or c. A$23.4 million[5]) of Short Term Funding to support short term cash flow requirements of the business until completion of the Transaction by way of issuance of new HRL Shares to institutional investors at a price of A$0.2989 per HRL Share, which was a 0.4% discount to the last trading price of HRL Shares on the ASX on 23 September 2024 of A$0.300. In conjunction with the Short Term Funding, HRL also undertook a SPP which completed on 17 October 2024 and resulted in the issue of 6,891,936 new HRL Shares to raise c. A$2 million at an issue price of A$0.2989 per HRL Share[6].

1.6 The Directors have unanimously recommended that HRL Shareholders vote in favour of all the resolutions to implement the Transaction in the absence of a superior proposal and subject to an independent expert concluding and continuing to conclude that the Transaction is fair and reasonable or not fair but reasonable to HRL Shareholders. Subject to the same qualifications, all Directors intend to vote or procure the voting of all HRL Shares held or controlled by them in favour of the Transaction.

Purpose of the report

1.7 The Directors of HRL have engaged Grant Thornton Corporate Finance to prepare an IER stating whether, in its opinion, the issue of HRL Shares to Yankuang Energy under the Cornerstone Placement and Southey Project Acquisition is fair and reasonable to HRL Shareholders for the purpose of item 7 of Section 611 of the Corporations Act.

1.8 When preparing this IER, Grant Thornton Corporate Finance has had regard to the ASIC Regulatory Guide 111 Contents of expert reports, ASIC Regulatory Guide 74 Acquisitions approved by members and Regulatory Guide 112 Independence of experts. The IER also includes other information and disclosures as required by ASIC.

1.9 For the purposes of this report, Grant Thornton Corporate Finance has engaged SLR to review and opine on the reasonableness of the technical assumptions adopted in the Muga Project's financial model and to assist

4 FIRB approval in Australia was obtained on 14 January 2025.

5 Based on the AUD:USD Exchange Rate. Throughout this report conversion from USD to AUD (including in connection with number of HRL Shares to be issued under the Transaction) will be at the AUD:USD Exchange Rate.

6 Based on the HRL announcement to the ASX on 17 October 2024.

in the valuation of the Southey Project and the other mineral assets. SLR's conclusions are included within the independent technical report which is available in Appendix F to this IER.

Summary of the opinion

1.10 Grant Thornton Corporate Finance has concluded that the issuance of HRL Shares to Yankuang Energy in conjunction with the Transaction is **NOT FAIR BUT REASONABLE** and hence **IN THE BEST INTERESTS** of Highfield Shareholders in the absence of a superior alternative proposal.

1.11 In forming our opinion, Grant Thornton Corporate Finance has considered whether the issue of HRL Shares to Yankuang Energy is fair and reasonable to HRL Shareholders and has had regard to other quantitative and qualitative considerations.

Fairness Assessment

1.12 The Cornerstone Placement and the Southey Acquisition are inter-conditional and interdependent on each other, and both need to be approved for the Transaction to proceed and for the HRL Shares to be issued to Yankuang Energy. Accordingly, in forming our opinion, we have had regard to the Transaction as a whole and we have compared the value per HRL Share before the Transaction on a control basis to the assessed value per HRL Share after the Transaction on a minority basis.

Figure 1 - Fairness assessment

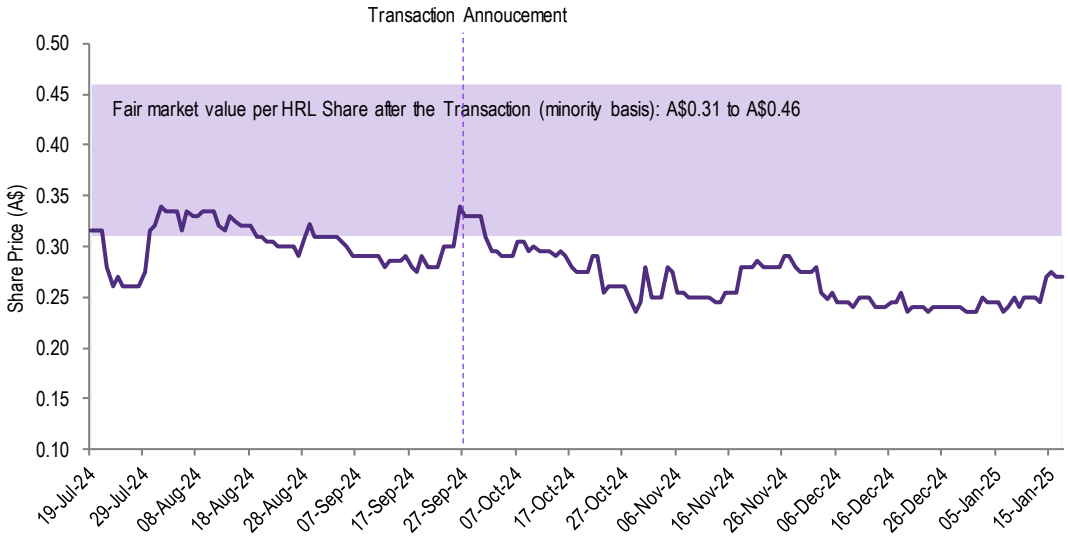
Fairness Assessment A$ per HRL Share	Section Reference	Low	High
Fair market value of Highfield before the Transaction (control basis)	*11*	0.45	0.55
Fair market value of Highfield after the Transaction (minority basis)	*13*	0.31	0.46
Premium / (discount)		**(30.4%)**	**(16.5%)**
FAIRNESS ASSESSMENT		**NOT FAIR**	

Source: Financial Model, GTCF analysis.

1.13 Our assessment of the fair market value of Highfield on a minority basis after the Transaction is lower than our valuation assessment of Highfield before the Transaction on a control basis and accordingly, we have concluded that the issuance of HRL Shares to Yankuang Energy in conjunction with the Transaction is **NOT FAIR** to the Highfield Shareholders.

1.14 HRL Shareholders should be aware that the valuation of Highfield represents a range of possible outcomes for which there are numerous different value comparisons that can be made and so there are intrinsically significant uncertainties. As set out in the graph below, our valuation assessment of HRL Shares on a minority basis after the Transaction is at a premium to the recent trading prices (also on a minority basis) and the trading prices since the announcement of the Transaction.

Figure 2 - HRL's Share price performance since 19 July 2024 relative to our valuation assessment of Highfield after the Transaction



Source: GTCF analysis, Highfield ASX Announcements, S&P global.

1.15 Whilst there are limitations with the trading prices of HRL, in particular in relation to the limited liquidity and trading volumes, HRL Shareholders should be aware that the trading prices may not necessarily re-rate in line with our valuation assessment, at least in the short term. There are often differences between the fair market value of a stock on a minority basis and the trading prices on a minority basis driven by the impact on trading prices of market sentiment and short-term volatility. Some of the key drivers of the differences could be:

- There are still many condition precedents required to be met, including regulatory approvals in several jurisdictions, before HRL is able to secure the cash from the Cornerstone Placement and subsequently draw on the project finance and commence construction of the Muga Project. The trading prices may reflect this uncertainty and the fact that, if the Cornerstone Placement does not complete, there will be heightened risk in relation to 1) whether HRL would be able to raise the necessary capital to develop the Muga Project, and 2) the pricing of the capital raising, which in our opinion, may be at a discount to the Cornerstone Placement price. Both these factors may cause additional dilution for the existing HRL Shareholders. However, despite the uncertainty, which does persist in relation to the execution of the Transaction and commencement to Phase 1 construction for the Muga Project, we consider the binding nature of the Cornerstone Placement's agreements, the project finance in place and the commitment from institutional investors to provide an increased level of confidence.

- After the Transaction, Yankuang Energy will acquire a relevant interest in HRL of up to c. 53.4% on an undiluted basis (based on the AUD:USD Exchange Rate), with other investors such as Beijing Energy and Taizhong also becoming significant shareholders. Yankuang Energy's controlling interest will reduce the takeover contestability of the Company as a change of control transaction will not occur without the agreement of Yankuang Energy and the overall trading liquidity may also decrease as a result. These circumstances, all other things being the same, are likely to depress the trading prices which may not necessarily reflect the fair market value. Investors are likely to already incorporate these factors, on a risk adjusted basis, into the trading prices.

- Based on our review of the activities of the exploration / development Comparable Listed Companies, as detailed in Section 12, we consider that the market may be reflecting caution over the progress of the

development in the Muga Project and potentially factor into the trading prices unexpected contingencies. Notably:

- Western Resources is listed on the Toronto Stock Exchange and is focused on the development of the large multi-phase potash project Milestone located in Saskatchewan, Canada. Construction was suspended in May 2020 due to inadequate project financing and subsequently resulted in Western Resources selling down 54% in the Milestone Project to raise C$80 million equity from a strategic investor. Construction re-started in June 2022 following cash proceeds received from the equity financing and an additional C$85 million loan facility (which included a 1.5% royalty on gross revenue), however, operations were later suspended in May 2024 as the capital raised became insufficient to complete the Phase 1 development.

- Both Gensource[7] and Kore Potash[8] faced significant difficulties over the last few years to raise the required equity to commence construction.

- Since October 2024, GMOP prices have decreased as they continue to normalise back to previous levels before the COVID-19 pandemic and the Russia-Ukraine conflict, which fuelled concerns around potash supply. The HRL share price has followed a similar trend to the GMOP prices since October 2024.

Valuation assessment of Highfield before the Transaction

DCF Method

1.16 Grant Thornton Corporate Finance has assessed the net present value of the Muga Project using real, ungeared, post-tax cash flows, having regard to:

- The review undertaken by SLR of the technical assumptions underpinning the cash flows and the recommended changes by SLR.

- Grant Thornton Corporate Finance's assessment of potash prices, exchange rates, discount rate and dilutionary impact from future capital raisings to fully fund the construction of Phase 1 of the Muga Project.

1.17 As discussed in our valuation sections, there are a number of key assumptions that have a material impact on the value of the Muga Project which are difficult to predict with a high degree of certainty as most of them depend on endogenous factors which are outside the control of the Company. These can mainly be grouped into three categories:

- Operational assumptions

  - Production start date - There is a risk of potential delay to Management's production commencement estimate of mid-2028, with delays common for new greenfield developments and some of the Comparable Listed Companies experiencing similar difficulties. We have sensitised the value in conjunction with possible delays of commencement of production by 1 and 2 years.

7 Gensource is listed on the TSX Venture Exchange in Canada and owns 100% of the Vanguard Area and Lazlo Area, covering a combined circa 200,000 acres of subsurface mineral rights available for mining. Gensource is primarily focused on the multi-module Tugaske Project located in Saskatchewan, Canada.
8 Kore is listed on the ASX via CDIs and its primary asset is its 90% interest in the Sintoukola potash project located in the RoC (10% owned by RoC government).

- Capital expenditure - The Muga Project has experienced some increases in the capex in the updated DFS and there is greater uncertainty with the Phase 2 capex, given it is not based on firm contracts. Overall, having regard to the uncertainty in estimating forecast construction costs for a greenfield development of this size, we have sensitised the total growth capex and sustaining capex across the LOM by increasing / decreasing the forecast amounts by +/- 5.0%.

- Macro-economic assumptions

  - Potash prices - There is limited publicly available forecast information for potash prices, especially for the long-term, and as a result our primary approach has been to rely on the prices provided by Management which were sourced from CRU, a reputable third-party forecast price specialist. SLR has also recommended this approach, with industry standard being to rely on marketing specialists, generally commissioned by the company, due to the difficulties in obtaining forecast potash prices. In section 10, we have undertaken a high-level cross check of the potash prices up to CY33, however the Muga Project has a long LOM with the last year of operations expected in CY51 and production only reaching the full run rate by CY32. In our valuation assessment, we have adopted the CRU forecast prices, but we have sensitised them based on alternative methodologies having regard to potash prices' growth rates in line with global GDP and other crop commodities with which potash prices are correlated.

  - Exchange Rate - We have assumed a normalised flat assumption for the USD:EUR Exchange Rate over the LOM of 0.90. Whilst we have assessed this assumption based on available historical and forecast data, we have sensitised it by +/- 2.5% given the recent volatility and appreciation of the USD.

  - Discount rate - We have estimated a real discount rate between 10.4% and 11.1% and sensitised it +/- 0.5%.

- Funding of the Muga Project

  - SLR has estimated that the Phase 1 of the Muga Project requires upfront capex of €457 million (versus €448 million estimated by the Company) and an additional €299 million for Phase 2 (versus €286 million estimated by the Company). In order to fund Phase 1, the Company has secured a c. €320 million project finance facility (or c. A$525 million[9]) and €25 million of equipment operating leases (or c. A$41 million). The Company has estimated that it requires at least US$220 million (or c. A$343.8 million) in equity funding for which it has entered into conditional binding agreements[10] via the Cornerstone Placement. As a result, we have considered the future dilution that will be suffered by current HRL Shareholders for the equity funding requirements to develop the Muga Project as required by ASIC RG111.

  - In the absence of the Transaction, there are a number of structures that the Company may adopt to raise capital including 1) undertaking a rights issue, 2) a placement with institutional investors, 3) sell down a proportion of the Muga Project, and 4) a placement with strategic investors. Whilst all the options are discussed in the body of the IER, option 4 appears to be the preferred approach and it is consistent with the structure of the Cornerstone Placement. The Cornerstone Placement aims to raise US$220 million at a price of A$0.50 per HRL Share which was at a premium of 64% to last close price on the ASX before the announcement. However, we do not believe it is appropriate to rely solely on the

9 Based on the AUD:EUR Exchange Rate. Throughout this report conversion from EUR to AUD will be at the AUD:EUR Exchange Rate.

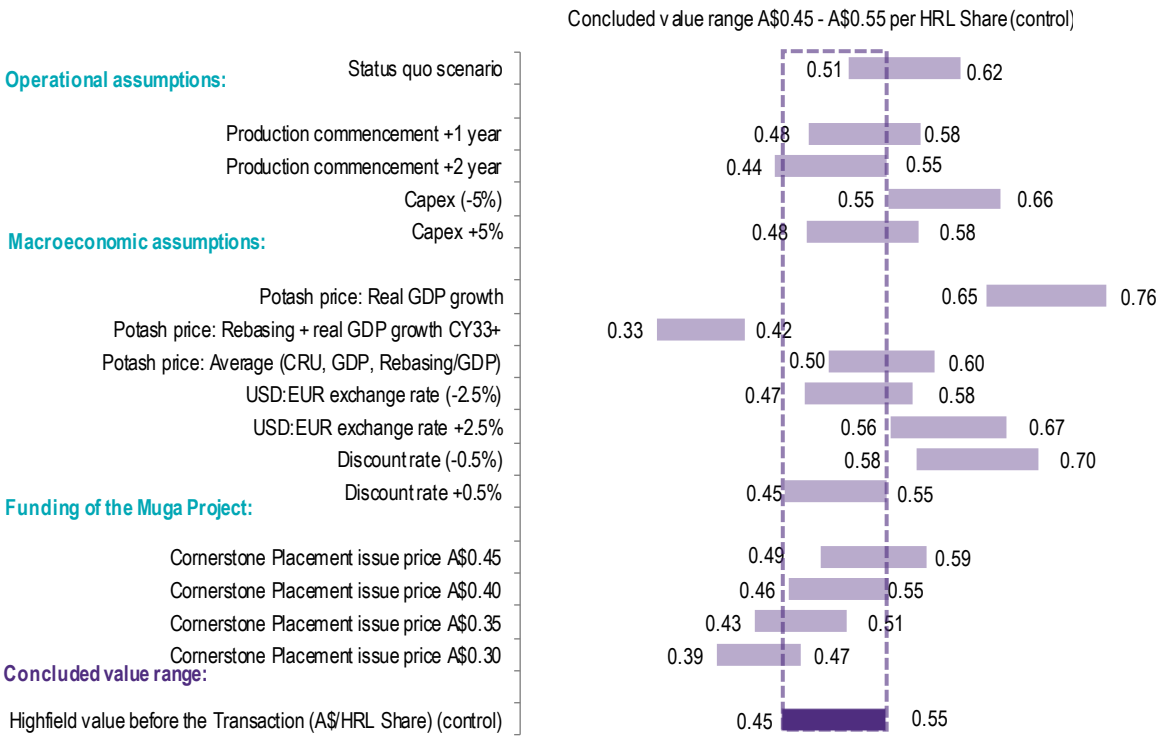
10 The binding agreements are for US$170 million.

issue price of the Cornerstone Placement to calculate the dilution for the existing HRL Shareholders before the Transaction. This is because the Cornerstone Placement was negotiated as part of the broader Transaction which also included the vend-in of the Southey Project and the offtake agreement between HRL and Yankuang Energy and accordingly it may not necessarily reflect the value of HRL on a stand-alone basis. As a result, we have considered the issue price per HRL Share under the Cornerstone Placement as the high-end of the range at which HRL could possibly raise the equity funding for the construction of the Muga Project in the absence of the Transaction, however we have sensitised these prices between A$0.30 (prevailing prices at the time of the Short Term Funding announcement) and A$0.50 per HFRL Share in 5c intervals.

Summary of values under the DCF

1.18 Based on the various sensitivities discussed above and illustrated in the graph below, we have assessed the fair market value of HRL between A$0.45 and A$0.55 per HRL Share on a control basis before the Transaction.

Figure 3 - Valuation scenario and concluded value range of Highfield before the Transaction per HRL Share



Source: GTCF analysis, SLR Report, Financial Model.

1.19 The selected valuation range takes into account the following: 1) The average low and high value range across all the scenarios is between A$0.49 and A$0.59 per HRL Share; 2) The selected range overlaps the majority of the scenarios; 3) Given the size of the greenfield development and the issues faced by the Comparable Listed Companies, we have opted to lean more towards conservative assumptions.

1.20 Whilst our valuation is based on the various sensitivities outlined above and it is not feasible to present the granular calculations for all the various changes in assumptions, we have presented below the detailed valuation under the Status Quo scenario.

Figure 4 - Status Quo valuation of Highfield before the Transaction

Valuation Summary €'million (unless stated otherwise)	*Section Reference*	Low	High
Muga Project	*11*	411.2	494.4
Add: Valuation of other resources and exploration	*11*	0.6	1.7
Less: NPV HFR corporate costs	*11*	(23.0)	(20.3)
Enterprise value (pre-funding)		**388.7**	**475.8**
HFR Shareholders ownership portion post equity funding raise (%)	*11*	47.8%	47.8%
Enterprise value (post-funding)		**185.7**	**227.2**
Exchange Rate (AUD/EUR)	*10*	0.610	0.610
Enterprise value (A$m) (post-funding)		**304.4**	**372.5**
Less: HRL unlisted options	*11*	(0.5)	(1.0)
Add: Net cash before the Transaction (A$m)	*11*	19.4	19.4
Equity value of HRL before the Transaction (A$m) (post-funding)		**323.3**	**390.9**
Total number of HRL Shares outstanding before the Transaction (millions)	*11*	628.6	628.6
Assessed value per HRL Share before the Transaction (A$/HRL Share) (post-funding)		**0.51**	**0.62**

Source: GTCF analysis, SLR Report, Financial Model.

1.21 The fair market value of the LOM cash flows of the Muga Project is based on the procedures undertaken by SLR to independently review the key technical assumptions and the recommended changes (refer to Appendix F). Across the various scenarios, the value of the Muga Project varies for changes in the potash prices, the production commencement date, the exchange rate, the capex and the discount rate. In the Status Quo scenario, we have adopted CRU prices for potash, commencement of production in line with Management expectations in CY28, capex as assessed by SLR, discount rate between 10.4% and 11.1% on a real basis, the USD:EUR Exchange Rate of 0.90 and capital raising to fund the development completed at A$0.50 per HRL Share.

1.22 The value of the resources outside the LOM and the exploration potential has been assessed by SLR and it does not vary across the various sensitivities.

1.23 The net present value of the corporate costs for the ASX listed entity, which are not included in the LOM cash flows, is estimated on a post-tax real basis and taking into account the synergies which may be realised by a pool of potential purchasers. We have estimated that HRL on a stand-alone basis will incur corporate costs of c. between €3.0 million and €3.5 million per annum. This amount is maintained flat across the various scenarios.

1.24 As previously discussed, we have calculated the theoretical impact that the required fundraising is likely to have on the interest of existing HRL Shareholders in the Muga Project. To do so, we have considered the total required equity funding to develop the project (US$220 million), the likely sources of funding available to HRL, and the dilutionary effect that funding via equity capital raising at prices between A$0.30 per HRL Share (trading prices per HRL Share before the announcement of the Short Term Funding) and A$0.50 per HRL Share (which is the Cornerstone Placement issue price per HRL Share) will have for the existing HRL Shareholders. The table below summarises our assessment of the dilutionary effect. Under the Status Quo scenario, existing HRL Shareholders will retain 47.8% of the Muga Project.

Figure 5 - Theoretical capital raising dilution to fund construction of the Muga Project

Impact of a theoretical HRL capital raising to fund the Phase 1 Muga Project						
HRL Shares in millions (unless otherwise stated)	*Reference*					
Funding to be raised (A$m)[1]	*A*	344	344	344	344	344
Equity capital assumed price (A$/share)	*B*	0.30	0.35	0.40	0.45	0.50
Theoretical HRL Shares issued	***C = A / B***	**1,146**	**982**	**859**	**764**	**688**
Add: Total HRL shares on issue at the date of this Report (diluted)	*D*	629	629	629	629	629
HRL Shares on issue post theoretical funding	***E = C + D***	**1,774**	**1,611**	**1,488**	**1,392**	**1,316**
Existing HRL Shareholders retained ownership	***F = D / E***	**35.4%**	**39.0%**	**42.2%**	**45.1%**	**47.8%**

Source: GTCF analysis, GT Model.
Notes: (1) The Cornerstone Placement is expected to raise US220 million, which has been converted to AUD using the AUD:USD Exchange Rate. (2) Whilst HRL will receive cash proceeds from the Cornerstone Placement, this is not representative of surplus cash to the Company but rather committed capital required to achieve the value assessed of the Muga Project on a fully funded basis for Phase 1.

1.25 In our valuation assessment under all scenarios, we have assumed that the convertible notes with a face value of c. A$35.7 million will convert at a weighted average conversion price of A$0.2905 per HRL Share, as per the amended terms of the convertible notes announced on the ASX on 24 September 2024 and the Company will issue 154.5 million new HRL Shares[11]. This is a reasonable assumption given that the conversion price is lower than our valuation assessment and the convertible notes are mandatorily converted into ordinary HRL Shares around the time of the completion of the Cornerstone Placement and Southey Acquisition, before the drawdown of the project finance debt to fund the construction of the Muga Project.

1.26 The number of HRL Shares on issue immediately before the Transaction includes the cash received and the HRL Shares issued as a result of the Short Term Funding and the SPP and the conversion of the convertible notes.

1.27 We have undertaken our assessment of the enterprise value in EUR and then converted into AUD using the AUD:EUR Exchange Rate of 0.61 which is based on the average of the last 30 days.

Valuation cross check based on the Resource and Reserve Multiples

1.28 Whilst we have sought to undertake a cross check of our valuation assessment based on the Resource and Reserve Multiples, there are several limitations with the listed peers which undermine the reasonableness of the approach. We have set out our analysis in the body of the report, but we have not presented it in the executive summary, given the limitations identified.

Valuation assessment of Highfield after the Transaction

1.29 Grant Thornton Corporate Finance has adopted the sum of parts approach to assess the equity value of Highfield after the Transaction which has been estimated by aggregating the fair market value of the Muga Project after the Transaction, the Southey Project and the other resource and exploration potential outside the LOM for the Muga Project and Southey Project, adjusting for the corporate costs and subtracting the estimated net debt after the Transaction to which we have applied a minority discount.

11 Based on the AUD:USD Exchange Rate.

1.30 Our valuation assessment of HRL after the Transaction on a minority basis is set out below.

Figure 6 - Valuation of Highfield after the Transaction

Valuation Summary €'million (unless stated otherwise)	*Section Reference*	Low	High
Muga Project[1]	*13*	430.0	530.0
Southey Project	*13*	151.6	302.3
Add: Valuation of other resources and exploration	*13*	0.6	1.7
Less: NPV HRL corporate costs	*13*	(33.9)	(27.6)
Enterprise value		**548.4**	**806.4**
Exchange Rate (AUD/EUR)	*10*	0.610	0.610
Enterprise value (A$m)		**899.0**	**1,321.9**
Less: HRL unlisted options (A$m)	*13*	(0.5)	(1.0)
Add: Net surplus cash after the Transaction[2] (A$m)	*13*	6.3	6.3
Equity value of HRL after the Transaction (A$m)		**904.8**	**1,327.2**
Total number of HRL Shares outstanding after the Transaction (millions)	*13*	2,222.5	2,222.5
Assessed value per HRL Share after the Transaction (A$/HRL Share) (control basis)		**0.41**	**0.60**
Minority Discount (%)	*Appendix D*	(23.1%)	(23.1%)
Assessed value per HRL Share after the Transaction (A$/HRL Share) (minority basis)		**0.31**	**0.46**

Source: S&P Global, GTCF analysis
Notes: 1) Muga Project - the fair market value is based on the selected value from our scenario analysis based on different production commencement dates, capex, potash prices and other sensitivities. 2) Net Cash Balance - Whilst the Company has raised US$220 million, this cash is required in order to develop the Muga Project and accordingly it is not considered surplus. The cash raised is incorporated in the fair market value of the Muga Project which includes 100% of the cash flows expected to be generated rather than only being pro-rated for the proportion of the cash flows being retained by the existing HRL Shareholders before the capital raising as per our valuation assessment before the Transaction. 3) Minority Discount - calculated as the inverse of the control premium of 30%. Refer to Appendix D for further details on our adopted control premium

Valuation of the Muga Project after the Transaction

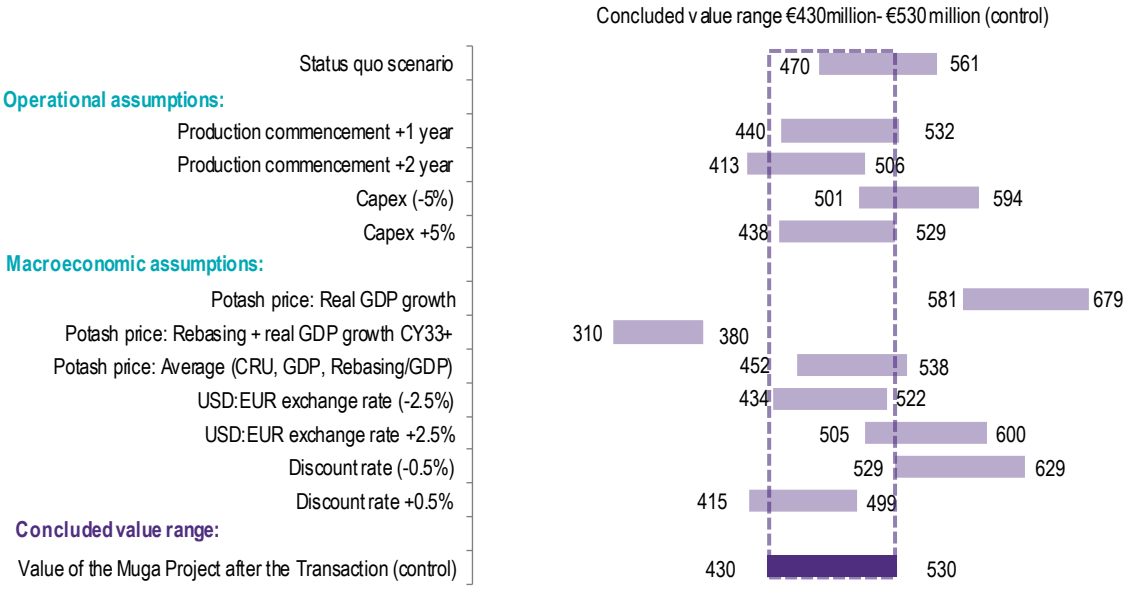
1.31 Grant Thornton Corporate Finance has assessed the net present value of the Muga Project after the Transaction using real, ungeared, post-tax cash flows based substantially on the same assumptions disclosed in the previous section but reflecting the following changes:

- We have updated our assessment of the discount rate to reflect the fully funded nature of the Muga Project after the Transaction. We have done this by slightly reducing the asset beta from between 1.30 and 1.40 before the Transaction to between 1.20 to 1.30 after the Transaction which is closer to the asset beta of the producing companies rather than the exploration ones. The adopted discount rate ranges between 9.8% and 10.6% on a real basis.

- We have removed the scenario analysis on the capital raising prices to fund the development of the Muga Project and we have reflected the terms of the Cornerstone Placement.

1.32 Similarly to our valuation before the Transaction, the fair market value is based on the selected value from our scenario analysis based on different production commencement dates, capex, potash prices and other sensitivities as set out in the graph below.

Figure 7 - Valuation of the Muga Project after the Transaction



Source: GT model

1.33 Overall, we have assessed the value of the Muga Project after the completion of the Transaction between €430 million and €530million, which is an uplift of c. 20% compared to our valuation assessment under the same scenario before the Transaction. We are of the opinion that this value uplift is reasonable considering the funding risks being largely removed after the completion of the Transaction which materially enhances the likelihood of the Muga Project being developed.

Valuation of the Southey Project

1.34 The valuation of the Southey Project has been undertaken by SLR based on the Resource Multiple approach. Whilst a feasibility study was completed for the Southey Project in 2016 and it has large potash reserves, based on our review of the information available and discussions with SLR, we do not believe a valuation assessment based on the DCF Approach is suitable due to the following: 1) The feasibility study was completed in 2016 and whilst SLR have price adjusted some of the cost and capex assumptions to reflect prices indexation, this approach is sub-optimal with a risk of the capital and operating costs being underestimated; 2) Yancoal Canada has not developed the Southey Project since completion of its feasibility study in 2016 and it is Management's intention to focus in the medium term on the development of the Muga Project; and 3) SLR has estimated the pre-production capital expenditure for the development of the Southey Project at approximately C$5.46 billion. The pre-production capital expenditure for the development of the Southey Project is expected to be several times greater than the current market capitalisation of HRL which makes it challenging from a valuation perspective to attempt to estimate the funding structure of the project and the proportion that would be retained by HRL Shareholders.

1.35 The valuation assessment of the Southey Project based on the Resource Multiple prepared by SLR is summarised in the table below.

Figure 8 - SLR valuation assessment of the Southey Project

SLR valuation of the Southey Project US$m (unless stated otherwise)	*Section Reference*	Low	High
Southey Project Mineral Resources	*13*	149.0	297.0
Other Southey Property Claims	*13*	10.1	20.2
SLR valuation of the Southey Project		**159.1**	**317.2**
Exchange Rate (AUD/USD)	*10*	0.64	0.64
SLR valuation of the Southey Project (A$m)		**248.6**	**495.6**
Exchange Rate (EUR/AUD)	*10*	1.64	1.64
SLR valuation of the Southey Project (EUR$m)		**151.6**	**302.3**

Source: SLR Report.
Notes: (1) SLR assessed the value of the Southey Project in US$. We have converted the US$ value to A$ using the USD:AUD Exchange Rate. As the assessed EUR$ value will be converted straight into A$ value to assess the value of Highfield after the Transaction in A$, we have used an inverse of the AUD:EUR Exchange Rate to assess the value in EUR$.

1.36 As discussed in the SLR Report, the broad value range for the Southey Project is indicative of the uncertainty associated with early-stage exploration assets and is primarily driven by the confidence limits placed around the size and grade of mineralised occurrences assumed within each prospective area.

Reasonableness Assessment

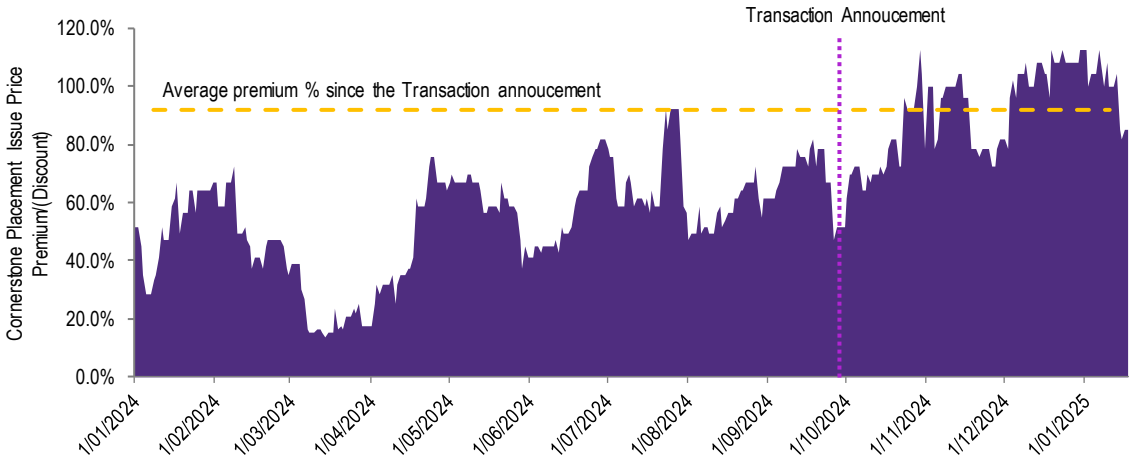
1.37 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal. In assessing the reasonableness of the Transaction, we have considered the following advantages, disadvantages and other factors.

Advantages

Premium to the current trading prices

1.38 The issue price of the Cornerstone Placement of A$0.50 per HRL Share is at a significant premium to the trading prices of HRL Shares during 2024 as outlined in the graph below and it has been close to 100% premium in recent trading with an average premium since the announcement of the binding terms of the Transaction of 89.6%.

Figure 9 Comparison of the issue price of the Cornerstone Placement with trading prices



Source: GTCF analysis, GT Model.
Notes: (1) The Cornerstone Placement issue price premium / (discount) to HRL Share trading prices is presented from the 1 January 2024. (2) Transaction Announcement date is 24 September 2024.

1.39 Evidence from studies indicates that a premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia (refer to Appendix D for details). Yankuang Energy and the other strategic investors participating in the Cornerstone Placement are effectively paying a premium compared with the trading prices materially in excess of the typical premium for control range. However, we have concluded that the issue of HRL Shares to Yankuang Energy under section 611(7) of the Corporations Act is not fair due to the following:

- ASIC Regulatory Guide 111 outlines specific requirements for assessing the fairness of this type of Transaction. It necessitates a comparison between the value per share on a control basis before the Transaction and the value per share on a minority basis after the Transaction. In the absence of significant synergies, cost savings, and re-rating of the HRL Group following the completion of the Transaction, which is not applicable in this case, the approach mandated by ASIC typically results in a lower post-Transaction value compared to the pre-Transaction value.

- The value attributed by the parties to the Southey Project of c. US$286 million is almost at the top-end of the fair value range assessed by SLR.

1.40 The issue price of the HRL Shares in the Cornerstone Placement is also at a material premium to the VWAP of HRL Shares over various periods of time and the issue price per HRL Share under the Short Term Funding as set out in the table below.

Figure 7 - Premium implied in Cornerstone Placement

Premium implied in Cornerstone Placement VWAP	
31-Dec-24	
5 day	109.6%
15 day	107.5%
30 day	95.2%
30-Sep-24	
5 day	53.9%
15 day	61.6%
30 day	61.9%
30-Jun-24	
5 day	75.1%
15 day	66.5%
30 day	57.8%
Short Term Funding (A$0.2989/HRL Share)	67.3%

Source: S&P Global, GTCF Analysis

Ability to fund the development of the Muga Project

1.41 The Cornerstone Placement is anticipated to provide the equity financing required for the development of the Muga Project. When combined with the project finance debt already secured by HRL, these funds should cover the entire development cost. If the Cornerstone Placement is not approved and the overall Transaction not implemented, the existing project finance facility may be jeopardised, potentially necessitating HRL to restart the process of sourcing funds to finance the Muga Project into production.

1.42 In the event that the Transaction is not approved, alternative funding would be required, and the Company would need to seek other sources of financing which will cause delay to the development of the Muga Project. The delay and enhanced uncertainties are likely to have a material adverse impact on the trading prices of HRL Shares.

1.43 HRL management has invested significant time and resources to find a suitable partner for the development of the Muga Project and the negotiated terms of the Cornerstone Placement are the most favourable to date. The equity to be raised under the Cornerstone Placement is required by HRL's lenders to demonstrate that the Muga Project is fully funded through to the completion of construction and commissioning. This amount is significantly greater than HRL's market capitalisation, both currently and immediately prior to the announcement of the Transaction. Whilst under these circumstances it is common practice to offer a discount to the prevailing market price to attract investors, HRL has been successful in securing the Cornerstone Placement at a significant premium to the trading prices of HRL Shares.

Yankuang Energy Relationship

1.44 HRL is expected to benefit from a number of perspectives from having Yankuang Energy as its major shareholder including the following:

- Strategic Alignment: Yankuang Energy's expertise in energy and resource management will be valuable for HRL in the delicate, risky and unique challenge of developing a greenfield project such as the Muga Project.

- Financial Stability: The financial backing from a major shareholder such as Yankuang Energy may help to mitigate future risks associated with project delays or cost overruns and Yankuang Energy can provide additional capital for HRL's projects which may become necessary, reducing the need for external financing and associated costs.

- Enhanced Credibility: The association with a reputable company like Yankuang Energy can improve HRL's standing in the market, making it more attractive to investors and partners. Existing and potential investors may feel more confident in HRL's prospects knowing that a major player like Yankuang Energy has undertaken extensive due diligence and elected to invest significant resources in HRL.

- Operational Expertise: Yankuang Energy's experience in managing large-scale projects can help streamline HRL's project execution, leading to timely and within-budget completions. HRL can benefit from Yankuang Energy's established best practices in areas such as safety, environmental management, and operational efficiency.

Alternative transactions

1.45 Based on discussions with the HRL management, we understand that they have held discussions with a number of investors, however these discussions did not lead to the execution of binding commitments.

1.46 Further, the current high interest rate environment makes it more challenging for HRL and other early-stage mining companies to raise the necessary large debt and equity package to fund the upfront capital expenditure. Investors tend to be more cautious during periods of high interest rates and they may prefer safer investments, such as government bonds, which offer higher returns with lower risk compared to investing in a greenfield mining project, which is inherently risky and capital-intensive. Further, there is a risk that banks and financial institutions tighten their lending criteria, making it harder for companies to qualify for project finance debt. In the absence of the Transaction, this will limit access to necessary capital for developing the Muga Project.

Disadvantages

The Transaction is not fair

1.47 Based on the requirements of ASIC RG111, the Transaction must be treated as a takeover bid of the Company and accordingly, we have concluded that it is not fair.

Dilution for Highfield Shareholders and takeover contestability

1.48 The overall Transaction will have a significant dilutionary impact on HRL Shareholders and Yankuang Energy will acquire a controlling interest of up to 53.4% of the issued capital on an undiluted basis (assuming no scale back in the amount raised from Yankuang Energy under the Cornerstone Placement and based on the AUD:USD Exchange Rate). With this stake, Yankuang Energy will gain majority control, allowing it to influence or outright dictate key decisions, including strategic direction, management appointments, and major corporate actions. The presence of a dominant shareholder will make any future and potential takeover process more complex and less attractive which is likely to deter potential interested parties.

1.49 The proportion of HRL Shares available for trading in the market (free float) is expected to further decrease, which will impact the overall market liquidity:

- Lower free float often leads to reduced trading volumes, as fewer shares are available for buying and selling, making it harder for institutional investors to enter or exit positions without affecting the share price.

- It can lead to higher price volatility, as smaller trades can have a more significant impact on the share price. This can make the stock less attractive to institutional investors who prefer stable and liquid investments.

- The low liquidity may widen the bid-ask spread, increasing transaction costs for investors and further reducing liquidity.

1.50 Under these circumstances, the market will perceive HRL as less contestable and less liquid, potentially impacting the ability of HRL Shareholders to sell their HRL Shares at fair market value. Further, Institutional investors, who often require high liquidity to manage large portfolios, may be less inclined to invest in a company with a dominant shareholder and reduced liquidity.

Southey Project

1.51 The valuation agreed for the Southey Project of c. US$286 million lies at the upper end of the fair market value range assessed by SLR. Given the focus of human and capital resources of the Company will be on the development of the Muga Project in the medium term, the potential development of the Southey Project is not expected to occur for several years in the future. Consequently, existing HRL Shareholders will experience significant dilution from the Southey Acquisition, with no expected returns for many years. Further, HRL management has estimated that corporate costs will increase by c. C$2.5 million to C$3 million per annum in order to preserve a presence in Canada, which will be a material drag on the cash flows of the business.

1.52 While it is not uncommon for mining businesses to acquire large resources and warehouse them for future development, thereby leveraging potential potash price option values, this strategy is atypical for a company like HRL which is not a large, diversified mining entity.

Other factors

Prospects of a superior proposal

1.53 While HRL has agreed not to solicit any competing proposals or to participate in discussions or negotiations in relation to any competing proposals during the exclusivity period, there are no impediments to an alternative proposal being submitted by potentially interested parties. The Transaction process should act as a catalyst for potentially interested parties to assess the merits of potential alternative transactions.

1.54 Given the time that HRL has dedicated to scout the market and find potential investors, the terms of the Cornerstone Placement and Southey Acquisition and the fact that no superior proposal has emerged since the announcement in July 2024, we are of the opinion that it is unlikely that a superior proposal will emerge.

1.55 However, if an alternative proposal on better terms was to eventuate, it is expected that this would occur prior to the shareholder meeting convened to consider the Transaction. In the event that an alternative offer on better terms emerges, shareholders will be entitled to vote against the resolutions to implement the Transaction or the Highfield Shareholders meeting could be adjourned.

Implications if the Transaction is not implemented

1.56 If the Transaction is not implemented, it is the current Directors' intention to commence or re-engage in discussions with alternative providers, materially delaying the development of the Muga Project which is likely to materially and adversely affect the trading prices. In our opinion, in the absence of the Transaction or an alternative transaction, all other things being equal, the price of HRL Shares may fall from the current level and HRL will be required to seek urgent funding for its short term liabilities and working capital requirements. This is likely to occur at prices significantly below the price per HRL share in the Cornerstone Placement price and probably at a material discount to the current trading prices.

Directors' recommendations and intentions

1.57 The Directors have unanimously recommended that the HRL Shareholders vote in favour of all the resolutions to implement the Transaction in the absence of a superior proposal and subject to an independent expert concluding and continuing to conclude that the Transaction is fair and reasonable or not fair but reasonable to HRL Shareholders. Subject to the same qualifications, all Directors intend to vote or procure the voting of all HRL Shares held or controlled by them in favour of the Transaction and approve the issue of the HRL Shares

Reasonableness conclusion

1.58 Based on the qualitative factors identified above, it is our opinion that the advantages of the Transaction outweigh the disadvantages and hence the Transaction is **REASONABLE** to the HRL Shareholders.

Overall conclusion

1.59 After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Transaction is **NOT FAIR BUT REASONABLE** to the HRL Shareholders in the absence of a superior alternative proposal emerging.

Other matters

1.60 Grant Thornton Corporate Finance has prepared a FSG in accordance with the Corporations Act. The FSG is set out in the following section.

1.61 The decision of whether or not to vote in favour of the Transaction is a matter for each Highfield Shareholder to decide based on their own views of value of Highfield and expectations about future market conditions, Highfield's performance, risk profile and investment strategy. If Highfield Shareholders are in doubt about the action they should take in relation to the Transaction, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN

Director

JANNAYA JAMES

Director

2. Financial Services Guide

Grant Thornton Corporate Finance Pty Ltd

2.1 Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

2.2 Highfield appointed Grant Thornton Corporate Finance Pty Ltd to provide general financial product advice in the form of an independent expert's report in relation to the Transaction.

Financial Services Guide

2.3 This FSG has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

General financial product advice

2.4 In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

2.5 Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

Remuneration

2.6 When providing the Report, Grant Thornton Corporate Finance's client is Highfield. Grant Thornton Corporate Finance receives its remuneration from Highfield. In respect of this Report Grant Thornton Corporate Finance will receive from Highfield a fixed fee of A$105,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

2.7 Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

Independence

2.8 Grant Thornton Corporate Finance is required to be independent of Highfield in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112

Independence of expert issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

> *"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Highfield (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Transaction.*
>
> *Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Conditional Placement, other than the preparation of this report.*
>
> *Grant Thornton Corporate Finance has recently prepared an Independent Expert's Report for HRL in relation to the Conditional Short Term Funding.*
>
> *Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*
>
> *Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."*

Complaints process

2.9 Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Compliance Authority (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Compliance Authority who can be contacted at:

Australian Financial Compliance Authority
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

2.10 Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

2.11 Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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3. Transaction

3.1 The Transaction comprises two elements which are interdependent being 1) the raising of at least US$220 million from Yankuang Energy and other strategic investors at a price of A$0.50 per HRL Share under the Cornerstone Placement; and 2) the acquisition of Yancoal Canada which owns the Southey Project for US$286 million (subject to certain completion adjustment) payable via the issue of HRL Shares to Yankuang Energy at A$0.50 per HRL Share.

Cornerstone Placement

3.2 On 23 September 2024, Highfield entered into binding ESAs to issue new HRL Shares at a price of A$0.50 per HRL Share. Under the ESAs, Yankuang Energy, Beijing Energy and Taizhong agreed to subscribe for up to US$90 million, US$50 million and US$30 million of new HRL Shares, respectively, for a total of US$170 million.

3.3 The Company is currently in negotiations with other strategic investors in relation to subscriptions for a further US$50 million of new commitments to subscribe for new HRL Shares, subject to Highfield entering new ESAs prior to completion of the Transaction.

3.4 The Company is required to raise at least US$220 million in order for the Transaction to proceed. If the total subscriptions under all ESAs entered into prior to completion of the Transaction exceed US$220 million before completion of the Cornerstone Placement, the number of HRL Shares subscribed by Yankuang Energy may, at its election, reduce.

3.5 The total number of HRL Shares to be issued under the Cornerstone Placement will be equal to the total amount subscribed for under the Cornerstone Placement expressed in USD (converted into AUD at the exchange rate on the business day before completion) divided by A$0.50 per HRL Share.

Southey Project acquisition

3.6 The Southey Project is owned by Yancoal Canada, a wholly owned subsidiary of Yankuang Energy. The Southey Acquisition is expected to occur via a direct or indirect acquisition of 100% of the issued share capital of Yancoal Canada (the wholly owned subsidiary of Yankuang Energy) based on the following terms:

- Highfield and Yankuang have entered into a binding implementation agreement where Highfield has agreed to directly or indirectly acquire 100% of the share capital of Yancoal Canada for consideration of c. US$286 million, subject to certain completion adjustments discussed below.

- The consideration for the Southey Acquisition will be satisfied by Highfield issuing new HRL Shares to Yankuang Energy at a value of A$0.50 per HRL Share.

- The purchase price will be adjusted as summarised below:

    - Downwards for any cash Yancoal Canada has utilised in assisting the Company to pay any withholding tax liabilities in connection with the Southey Vend-in.

Upwards for any interest which accrues (but has not been paid) between 30 April 2024 and completion of the Southey Vend-in on existing shareholder loans to Yancoal Canada. The aggregate principal amounts of the shareholder loans was c. C$118.5 million and they are subject to an interest rate of 4.75% per annum. The value of the HRL Shares to be issued to Yankuang Energy as consideration for the Southey Acquisition (which is A$0.50 per HRL Share (Consideration Shares)) is not subject to adjustment. It is the intention of Management to settle the accrued interest on Yancoal Canada's shareholder loan at completion estimated at approximately US$3.6 million (equivalent to A$5.7 million) via the issuance of new HRL Share at A$0.50 per HRL Share. Accordingly, the equivalent amount of cash will be on balance sheet of Yancoal Canada at completion of the Transaction.

3.7 Upon completion, Yankuang Energy has the option to either capitalise Yancoal Canada's shareholder loan or retain it on the balance sheet of Yancoal Canada. If retained, Yankuang Energy must also transfer the right to the repayment of the shareholder loan to HRL, such that it will be eliminated on consolidation. In both scenarios, HRL is effectively acquiring Yancoal Canada without the shareholder's loan liability.

Conditions precedent of the Transaction

3.8 We have set out below some of the key conditions for the implementation of the Transaction:

- Approval of the Transaction by HRL Shareholders.
- Approval from regulators in Australia, Spain, China and Canada with FIRB approval in Australia obtained on 13 January 2025.
- Project finance lender and other material contract counterparty consent and conversion of all convertible notes on issue in Highfield.
- Confirmation that certain key management personnel will remain in their positions and waive any severance pay in connection with the Transaction.
- Completion of certain transactions in relation to property rights relating to the Muga Project, entry into an offtake agreement between Highfield and Yankuang Energy and entry into certain other ancillary agreements with certain other participants in the Cornerstone Placement.
- The Cornerstone Placement raising at least US$220 million, including amounts raised by way of issue of HRL Shares to Yankuang Energy.
- Geocali having secured all necessary land extensions of certain land option agreements to extend their terms to a reasonable period post completion of the Transaction and having paid the purchase price for land and obtained ownership and title to all the lands under exploration proceedings.
- Key members of Highfield personnel, being each of Ignacio Salazar and Jorge Feito Huertas, remain in their respective positions of employment.
- No material adverse changes, and other conditions precedent typical for a transaction of the type of the transaction.

- Full details of the conditions which must be satisfied for the Southey Acquisition to complete are set out in Schedule 3 of the Implementation Agreement released to the ASX on 24 September 2024

Other terms of the Transaction

3.9 Immediately after completion of the Transaction, the HRL Board will be re-constituted with the appointment of Yankuang Energy's nominee directors to the HRL Board such that Yankuang Energy's nominee directors comprise a majority of the HRL Board and the appointment of Beijing Energy's nominee director to the HRL Board.

3.10 A break fee of A$1,960,919.00 may become payable by Highfield to Yankuang Energy in the event that, subject to certain exceptions, Highfield terminates the Implementation Agreement at any time before completion of the Transaction as a result of Highfield entering into a legally binding agreement with a third party to undertake or give effect to an actual superior proposal where expressly permitted by, and in accordance with, the Implementation Agreement.

3.11 Subject to the terms of the Implementation Agreement, the Transaction will not proceed unless all of the conditions precedent are satisfied (or waived, if applicable) before 31 March 2025 or such later date as may be agreed by Yankuang Energy in accordance with the Implementation Agreement.

3.12 The Implementation Agreement includes customary exclusivity provisions including no shop, no talk, notification and matching rights, subject to customary fiduciary out provisions.

Capital structure movements

3.13 We have set out below the movements in capital structure of Highfield before and after the Transaction.

Figure 10 - HRL capital structure movements

Capital structure of HRL	
Before the Transaction	
HRL Shares issued as at 31 December 2024	449,109,874
Add: HRL Shares issued as part of the Conditional Placement	24,967,169
HRL Shares after the Short Term Funding (undiluted)	**474,077,043**
Add: HRL Shares to be issued upon exercise of the convertible notes	154,487,158
HRL Shares after the Short Term Funding (diluted)	**628,564,201**
After the Transaction	
HRL Shares after the Short Term Funding (undiluted)	474,077,043
Add: HRL Shares to be issued for the Cornerstone Placement	687,500,000
Add: HRl Shares to be issued for the Southey Acquisition	895,078,172
Add: HRL Shares to be issued to settle accrued interest on Yancoal Canada shareholder loan	11,319,974
HFR Shares after the Transcation (undiluted)	**2,067,975,189**
Add: HFR Shares to be issued upon exercise of the convertible notes	154,487,158
HFR Shares after the Transcation (diluted)	**2,222,462,347**

Sources: GTCF; Management.

3.14 In relation to the table above, we note the following:

- Before the Transaction, HRL has 474,077,043 HRL Shares on issue on an undiluted basis, inclusive of the 24,967,169 ordinary shares issued as part of the Conditional Placement on 17 January 2025.

- After the Transaction, HRL will issue 1) 687,500,000 new HRL Shares at A$0.50 per HRL Share to raise US$220.0 million (equivalent to A$344.8 million) via the Cornerstone Placement to fully fund the Muga Project 2) 895,078,172 new HRL Shares at A$0.50 per HRL Share to raise c. US$286 million (equivalent to A$448 million) as part of the Southey Project Acquisition to acquire Yancoal Canada and 3) 11,319,974 new HRL Shares at A$0.50 per HRL Share to settle the accrued interest on the Yancoal Canada shareholder loan expected to be US$3.6 million (equivalent to A$5.7 million) at completion of the Transaction. As a result, HRL will have 2,067,975,189 HRL Shares on issue on an undiluted basis after the Transaction. We note that the actual number of HRL Shares to be issued will change based on the exchange rate immediately before completion of the Transaction.

- As discussed in Section 11, HRL will issue 154,487,158 new HRL Shares as part of the conversion of the Tranche 1 and Tranche 2 convertible notes.

4. Purpose

Item 7 of Section 611 of the Corporations Act

4.1 Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

4.2 Item 7 of Section 611 of the Corporations Act allows the shareholders not associated with Yankuang Energy (i.e. the Non-Associated Shareholders) to waive this prohibition by passing a resolution at a general meeting. RG 74 and RG 111 set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

4.3 RG 74 requires that shareholders approving a resolution pursuant to Item 7 of Section 611 of the Corporations Act be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to HRL Shareholders. The Directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or
- Undertaking a detailed examination of the proposal themselves and preparing a report for the Non-Associated Shareholders.

4.4 If the Transaction is implemented, Yankuang Energy will become the majority shareholders, owning up to c. 53.4% of HRL Shares on an undiluted basis.

4.5 Based on the above, the Directors of Highfield have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the issue of HRL Shares to Yankuang Energy as part of the Transaction is fair and reasonable to the HRL Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

Basis of assessment

4.6 In preparing our report, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, particularly including RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Transaction with reference to Section 640 of the Corporations Act. RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher

bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:

- The offeror's pre-existing entitlement, if any, in the shares of the target company.
- Other significant shareholding blocks in the target company.
- The liquidity of the market in the target company's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
- Any special value of the target company to the offeror.
- The likely market price if the offer is unsuccessful.
- The value to an alternative offeror and likelihood of an alternative offer being made.

4.7 Grant Thornton Corporate Finance has determined whether the Transaction is fair to the HRL Shareholders by comparing the fair market value of HRL Shares before the Transaction on a 100% and control basis with the fair market value of HRL Shares after approval of the Transaction on a fully diluted and minority basis.

4.8 In considering whether the Transaction is reasonable to the HRL Shareholders, we have considered a number of factors, including:

- Whether the Transaction is fair.
- The implications to HRL Shareholders if the Transaction is not approved.
- Other likely advantages and disadvantages associated with the Transaction as required by RG111.
- Other costs and risks associated with the Transaction that could potentially affect HRL Shareholders.

SLR Report

4.9 For the purpose of this IER, SLR was engaged to conduct an independent review and assessment of the mineral assets held by Highfield and the Southey Project. The SLR Report has been specifically commissioned and prepared in relation to the Transaction. The SLR Report is available in Appendix F.

Independence

4.10 Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Transaction with reference to RG 112 issued by ASIC.

4.11 Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the

preparation of this report. We note that Grant Thornton Corporate Finance has recently prepared an Independent Expert's Report for HRL in relation to the Conditional Short Term Funding.

4.12 Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the successful implementation of the Transaction.

4.13 In our opinion, Grant Thornton Corporate Finance is independent of Highfield and its directors and all other relevant parties of the Transaction.

Compliance with APES 225 Valuation Services

4.14 This report has been prepared in accordance with the requirements of APES 225 as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

5. Industry overview

5.1 Highfield is expected to produce potash from its projects located in Spain, primarily from the Muga Project, with salt expected to be produced as another product. The Southey Project is a large proposed greenfield solution potash mine located in Saskatchewan, Canada. Below we have analysed the global potash and salt industries, Spanish potash and salt industries, and Canadian potash industry.

Potash

5.2 Potash denotes a variety of salts that contain the element potassium (chemical symbol K) in water-soluble form which are primarily used in agricultural fertilisers[12]. Potassium is one of three macronutrients essential in the development and growth of plants by assisting in water retention, reinforcing the roots and cell walls, improving the transfer of nutrients and increasing the resistance to disease and infestation. This ensures that harvested crops are fully formed, of high quality, and have a long shelf life for consumers. According to the International Potash Institute, using a potash fertiliser can improve crop yield and quality by 20% and plant tolerance to pests and disease by 30%.

5.3 Limited substitutes exist for potassium as an essential plant nutrient[13] and whilst potassium naturally occurs in soil, farming has historically depleted this mineral quicker than natural replenishment. As a result, potash has become a critical input in agricultural fertilisers globally to replenish farming soil with potassium and has accelerated in recent decades to service the worlds rapidly growing food demands.

5.4 Potash products vary by their availability of nutrient potassium. Below we have briefly summarised the two most common types of potash products:

- MOP – is the most potassium-rich potash product (typically 60% potassium oxide)[14] and therefore the most widely used, accounting for approximately 90% of the global potash market. It is the simplest source of potassium and features relatively low production costs, mined from cheap sylvinite ores or dry lake salt by simple aqueous processing. MOP is sold as both a SMOP and a GMOP product, the latter produced in a particle size largely for use in blended fertilisers.

- SOP – is a specialised potash product (typically 50% potassium and 17% sulphur)[15] mined from complex potassium salts or brines. Whilst suitable for all crops grown in any soil, it has special value for horticultural (or cash) crops where quality is important. As a result, it attracts a premium price. SOP can also be made from MOP by treating it with sulphuric acid.

5.5 It is estimated that there are approximately 16 billion tonnes of recoverable potash deposits worldwide (potassium oxide equivalent), which are highly concentrated in certain countries including Canada (46%), Russia (35%) and Belarus (8%)[16]. Potash is most commonly extracted via underground mining

12 According to Canadian Potash Exporters, approximately 95% of global potash is used in agricultural fertilisers.

13 Manure and glauconite (greensand) are low-potassium-content materials that can be profitably transported only short distances to crop fields. Glauconite is used as a potassium source for organic farming. See US Geological Survey, Mineral Commodity Summaries, January 2024.

14 Sourced from Argus Consulting, generic formulations of commodity potash products.

15 Sourced from Argus Consulting, generic formulations of commodity potash products.

16 Sourced from Highfield Resources 'Potash: an overview of the commodity and the market' August 2024 presentation.

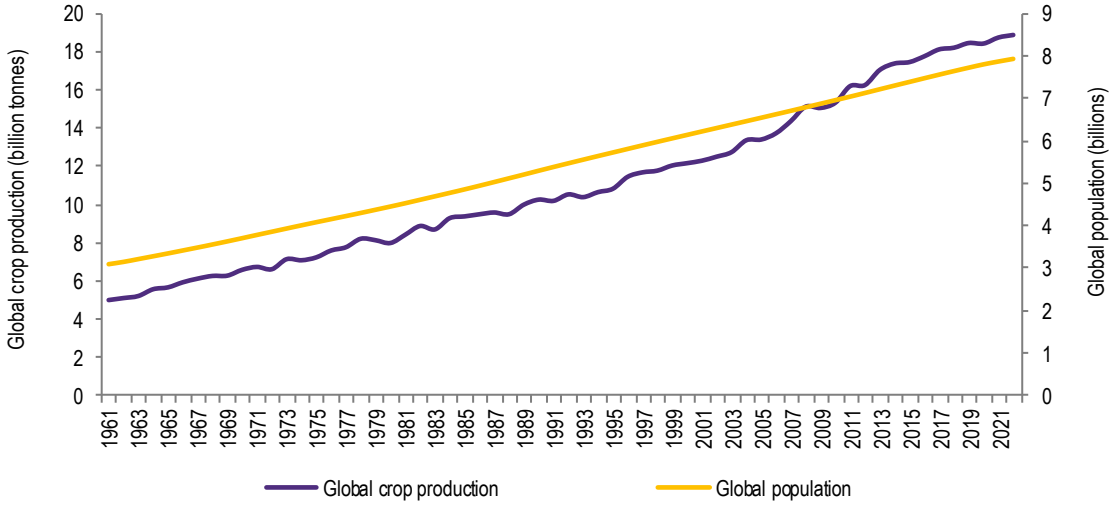
(approximately 80% of global production), with the remainder extracted via solution mining (or in-situ leaching[17]) and the processing/evaporation of natural brines[18].

Demand drivers

Global population

5.6 All things being equal, the demand for potash should grow in line with an increase in global crop production, as a result of an increasing global population. Below we have set out the historical global crop production and population growth.

Figure 11 - Global population and crop growth



Sources: FAOSTAT, World Bank, GTCF analysis

5.7 As set out in the chart above, crop production has historically been strongly correlated with the global population. According to the United Nations, the world's population is expected to increase from the current 8.2 billion to 9.7 billion by 2050.

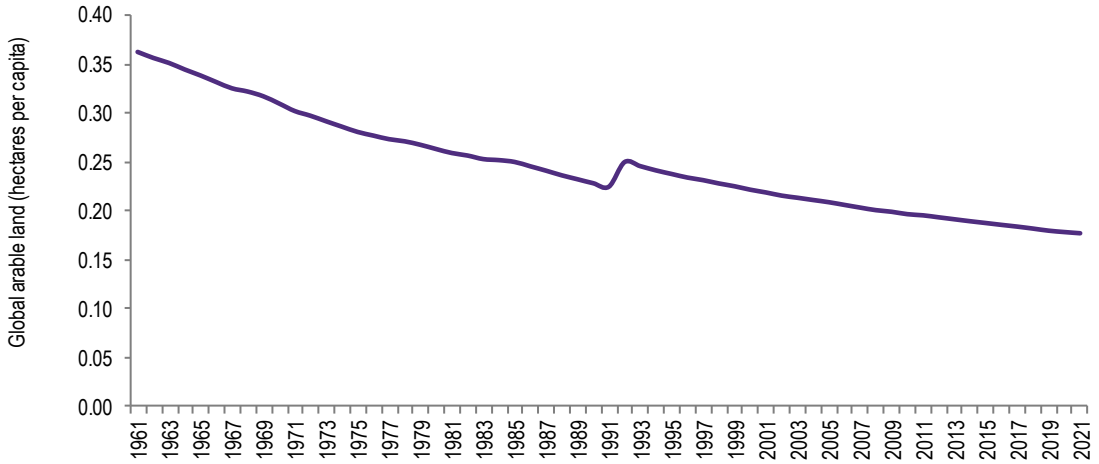
Arable land

5.8 All things being equal, the demand for potash will grow with a reduction in global arable land. Below we have set out the historical global arable land per capita.

17 Consists of pumping or injecting a liquid solution (generally water and salt) into a of mineral, where the potassium chloride and saline mixtures that form the layers then dissolve. This process forms underground caverns out of which the solution is pumped to the surface where the potassium chloride is crystallised and purified into an end product.

18 Refers to natural deposits of salt rich brines pumped from shallow depths beneath the surface and fed into a series of large shallow ponds to form saleable potash via multiple process steps

Figure 12 - Global arable land (hectares per capita)



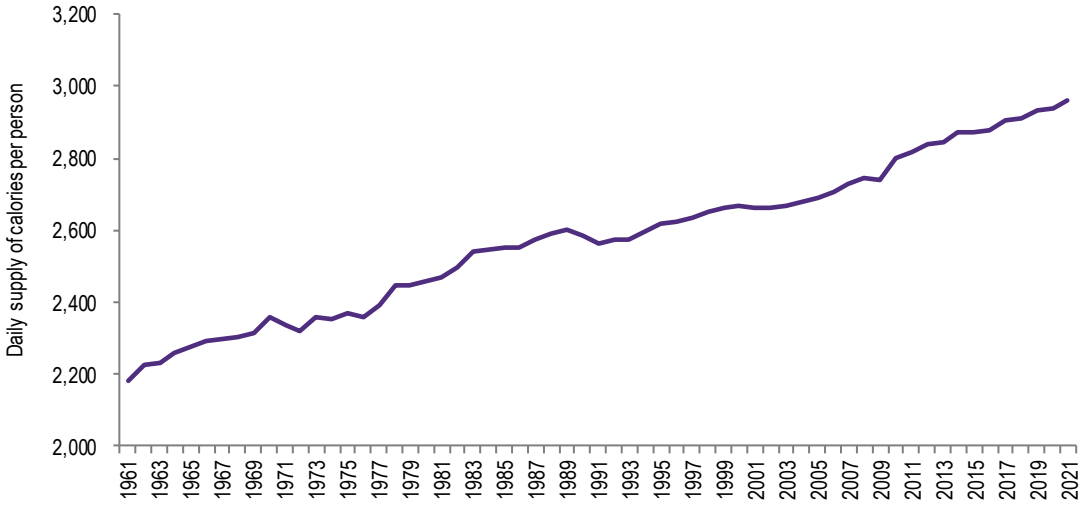
Sources: World Bank, GTCF analysis.

5.9 As set out in the chart above, global arable land per capita has steadily declined over time and can be considered constrained. Accordingly, it is expected that majority (90%) of forecast crop production will be facilitated by improvements in yields, as opposed to arable land expansion, which will increase demand for potash products[19].

Changing diets

5.10 All things being equal, the demand for potash will grow as diets expand and the population consumes more food. Below we have set out the historic global daily supply of calories per person.

Figure 13 - Global daily supply of calories per person from 1961 to 2021



Sources: United Nations, GTCF analysis.

5.11 As set out in the table above, global daily calorie intake per person has grown from c. 2,181 in 1961 to 2,959 in 2021. This is largely the result of a higher proportion of diets containing animal products, sugar and vegetable oils. This increases the demand for crop production and thus agricultural fertilisers.

[19] Sourced from Argus Consulting, Muriate of Potash and Salt Products Draft Market Study released December 2021.

Growth in socioeconomic groups

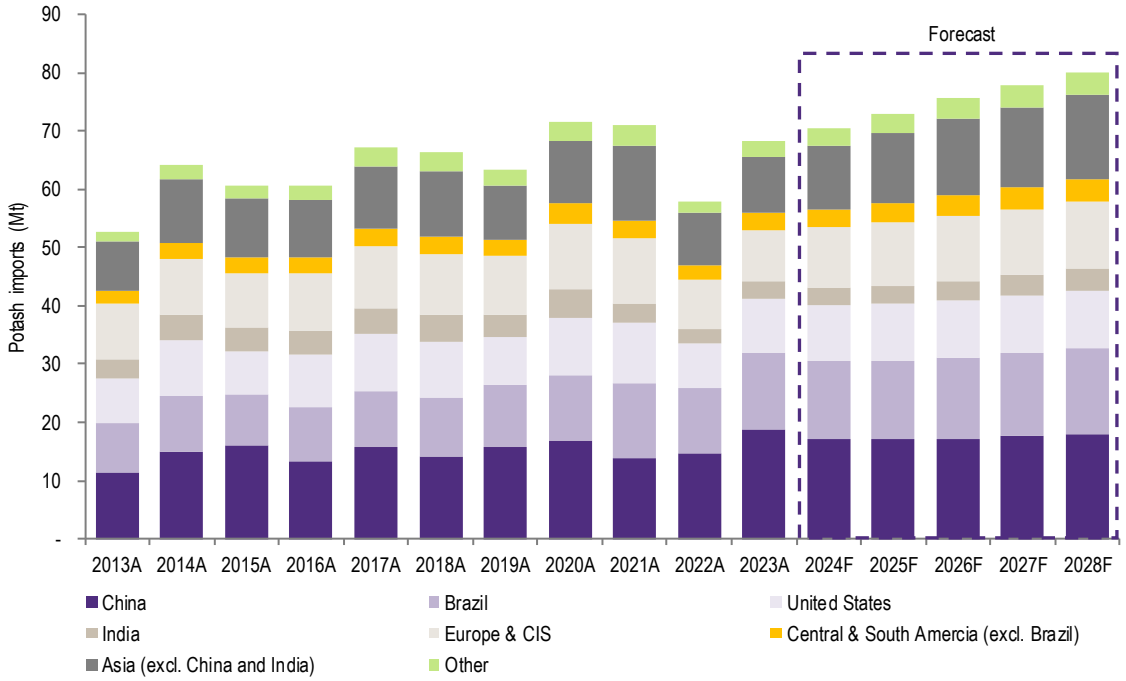
5.12 The United Nations expects the new global middle class in China, India and Brazil to account for nearly half of world consumption of potash by 2050. Overall, this will continue to drive the positive correlation between crop production and global population and promote demand for potash as the need for efficient and high yielding agricultural production becomes more critical to service the growing global food demand.

Geographic demand

5.13 The majority of the world are importers of potash due to the concentration of recoverable potash in a few countries. Historically, China, Brazil, India and the United States have been the largest importers of potash. In 2023, these countries collectively imported c. 65% (or 44.4 Mt) of the global annual potash production.

5.14 Below we have set out the historical and forecast demand for potash by key country.

Figure 14 - Historical and forecast demand for potash by key country



Sources: CRU 2024.

5.15 Global demand for potash has grown at a 10-year CAGR of 2.6% to 2023. Demand grew c. 13.1% in 2020 to 71.6 Mt largely due to rising concerns over food security amongst governments worldwide following the onset of the COVID-19 pandemic, as well as the recovery of fertilisation application rates after unfavourable weather conditions in the prior year. Demand remained elevated at 71.0 Mt in 2021 as potash supply uncertainty grew throughout the year as a result of the economic sanctions imposed on Belarus (the third largest potash producer globally) by the United States, European Union and Canada for violations of international law. Specifically, these sanctions included a complete ban on engaging in new contracts with Belarusian producers and exporters of potash fertiliser and loss of access to the Belarusian key potash exporting port in Lithuania. In November 2021, the US revised its critical minerals list to include potash.

5.16 The Russian-Ukraine invasion in early 2022 heightened this supply uncertainty as countries around the world imposed economic sanctions on Russia. At that time, Russia was particularly significant in the global potash export market, not only as the second largest producer but given it was servicing the majority of the loss export volumes from Belarus. Whilst no sanctions were directly placed on Russia's potash industry, the imposition of potash import quotas coupled with general restrictions on dealings with Russian companies, financial institutions and individuals led to a significant reduction in potash supply from Russia. According to Argus, Russia's MOP exports fell c. 37% in 2022. Of the total European potash imports, 47% (based on a four-year average before sanctions) were supplied by Russia and Belarus.

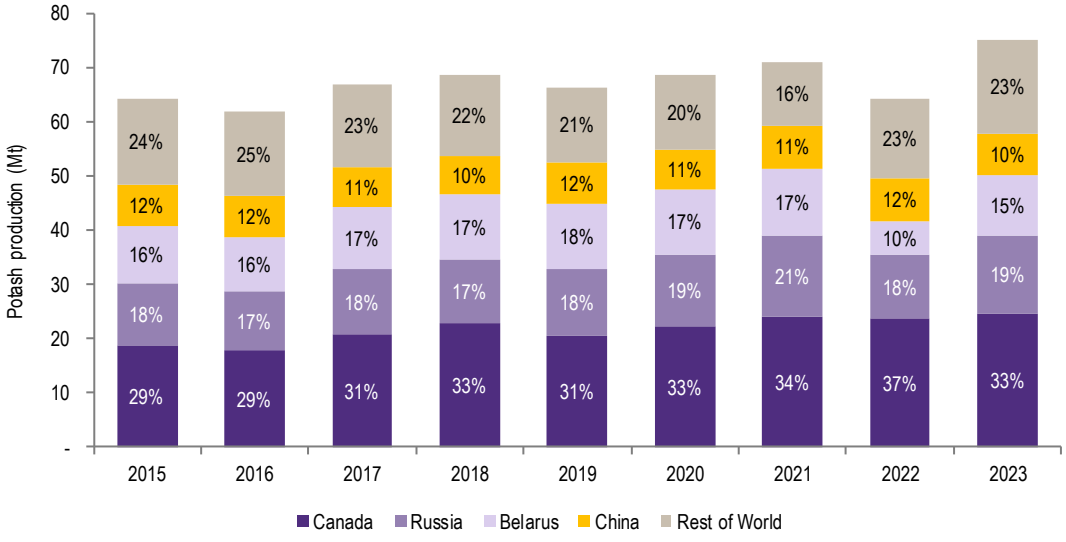
5.17 Overall, this uncertainty on the supply of potash in the global markets, which was already restricted given the impact from Belarus sanctions, led to an influx of precautionary stocking by key importing countries around the globe. Global MOP prices surged to reach record highs in August 2022. Due to these elevated global MOP prices, farmers around the world commenced a significant pull-back in demand for potash, and planned to replace potash in the current season with crop residue and manure until global MOP prices normalised. As a result, demand fell substantially in the second half of 2022 and led to full-year 2022 demand for potash falling 18.3% to 58.0 Mt. Global demand subsequently recovered in 2023 as the abovementioned supply constraints eased and global MOP prices began to fall. Further, the Israel-Hamas conflict which commenced in October 2023 added to geopolitical tensions and increased global supply uncertainty.

5.18 Global demand for potash is estimated to grow from 68.3 Mt in 2023 to 80.0 Mt in 2028, representing a 5-year CAGR of 3.2%, driven by the continued reduction in supply disruptions and price shocks. Further, this growth will be supported by a large and growing global economy and world population compounded by increasing food security concerns, especially in emerging economies, as rising incomes and wealth in these highly populated regions are expected to lead to an increase in and expansion of diets. Refer to Section 3.1.5 for an analysis on the key industry drivers.

Supply

5.19 Below we have set out the historical production of potash by the key producing regions.

Figure 15 - Historical global production of potash by key producing region

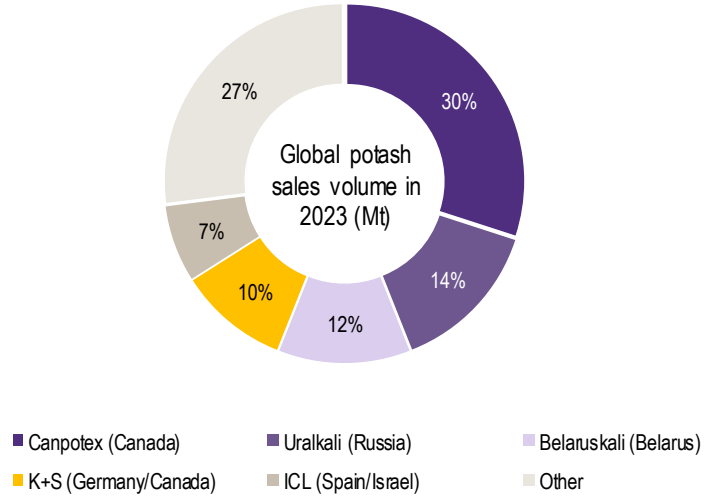


Sources: Argus Consulting, GTCF analysis.

5.20 As set out in the chart above, the global production of potash is dominated by Canada, Russia, Belarus and China, which collectively account for approximately 80% of global production. Canada is the standout largest producer of potash globally, representing approximately 30-35% of global production, largely due to its relatively large and high quality recoverable potash reserve. Russia and Belarus have traditionally held a collective 35-40% share in global potash production. This reduced sharply in 2022 to 22% as the abovementioned imposition of economic sanctions from countries around the world restricted potash export in these markets. Nonetheless, the Belarusian and Russian share of global potash production largely recovered to pre-sanction levels in 2023 (34%).

5.21 The potash industry can be characterised as an oligopoly, dominated by a small number of potash producers. Below we have broken down the potash sales volume in 2023 by key potash producer.

Figure 16 - Global potash sales volume by key potash producer in 2023



Sources: K+S Company Presentation September 2024, GTCF analysis.
Notes: 1) Canpotex is a Canadian based potash marketing and export company that sells mainly Nutrien and Mosaic's produced potash. 2) Uralkali is a Russian potash fertiliser producer and exporter. 3) Belaruskali is Belarusian potash producer and exporter. 4) K+S is a German based potash producer and exporter. 5) ICL Group is a Spanish based potash miner and exporter.

5.22 A producers' ability to compete in the potash market is largely determined by factors such as production costs, proximity to production facilities and export infrastructure as well as logistic costs and capabilities. The potash industry can be characterised with relatively high barriers to entry due to the significant investment and time required to establish potash operations and gain appropriate concessions.

Spanish potash industry

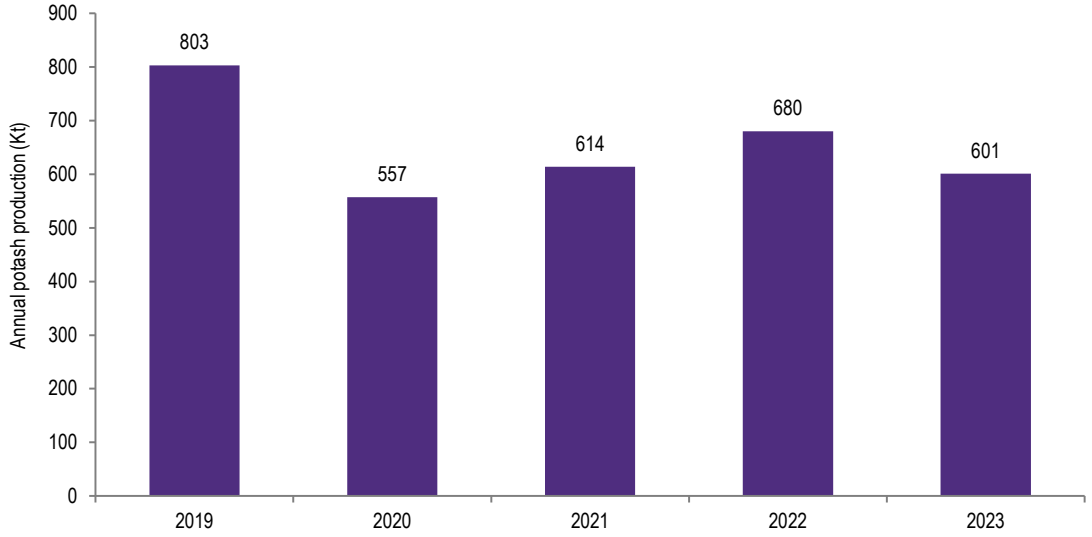
5.23 Spain is a net exporter of potash despite importing large volumes. Spanish potash exports are solely produced by ICL Iberia. ICL Iberia owns the mining rights for two underground potash mines, Cabanasses and Vilafruns, both located in the region of Catalonia in northern Spain, approximately 60 km northwest of Barcelona. The Cabanasses mine has been in production for over five decades, whilst the Vilafruns mine was placed on care and maintenance in June 2020 as part of a strategic decision for ICL Iberia to consolidate its activity into one site by means of expanding the Suria production site (which houses the Cabanasses mine) and discontinuing activity at the Sallent site (which houses the Vilafruns mine). In addition, in 2021, ICL Iberia completed the excavation of the ramp connecting the Cabanasses mine with the Suria plant, including the installation of operational equipment and infrastructure.

5.24 The consolidation of the facilities and the ramp project was estimated to increase the production capacity of ICL Iberia to an expected annual running rate of approximately 1.0 Mt by the end of 2022 and reach up to 1.3 Mt in the future, following the completion of additional adjustments in surface production facilities. In addition, these initiatives were expected to improve production efficiency and lower cost per tonne.

5.25 ICL Iberia had JORC resources of approximately 431.5 Mt (378.8 Mt for Cabanasses and 52.7 Mt for Vilafruns) and 96.3 Mt of JORC reserves solely for Cabanasses respectively as at 31 December 2023[20].

5.26 Below we have set out the historical potash production in Spain.

Figure 17 - Historic annual potash production in Spain (ICL Iberia)



Sources: ICL Group Annual Reports, GTCF analysis.

5.27 As set out in the chart above, potash production in Spain fell sharply from 803 Kt in 2019 to 557 Kt in 2020 as a result of the Vilafruns mine being placed on care and maintenance in mid-2020. Potash production has since grown steadily, although it reduced slightly in 2023 due to a fatal accident that occurred at the Cabanasses mine in March 2023.

5.28 Distribution of potash production to local customers and customers in France are facilitated by truck haulage. Potash product destined for overseas destinations are transported by train or truck to ICL Iberia's terminal located at the port of Barcelona where the cargo is loaded onto bulk vessels for shipment. Accordingly, short plant-to-port distances and shorter shipping routes to end destination markets serve as a competitive advantage for potash producers in Spain.

5.29 The primary markets for ICL Iberia potash include Brazil, China, Europe, the United States and India and are largely sold via a network of ICL sale offices and agents worldwide. The majority of potash sales are current orders proximate to the export date, with minimal contracts or long-term orders. As a result, the Spanish potash market has a minimal backlog of orders.

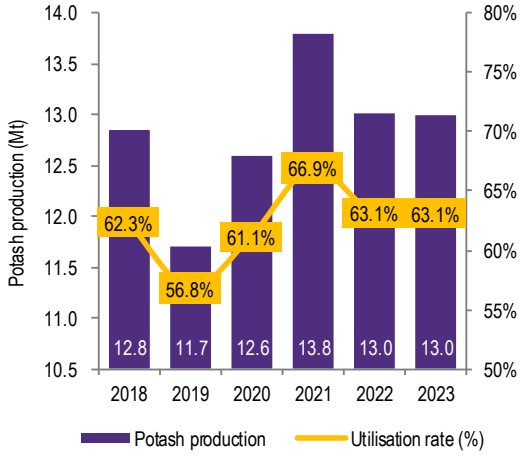
[20] Sourced from ICL Group 2023 Annual Report.

Canadian potash industry

5.30 Canada is the largest producer of potash in the world, producing 24.8 Mt of potash in 2023 (equivalent to 33% of global production). All ten potash mines in Canada are located in Saskatchewan, which is characterised as the cleanest (40% KCl versus 15-25% elsewhere)[21], most sustainable and lowest emission potash in the world. Production has historically been solely serviced by Canpotex, a joint venture equally owned by potash producers Nutrien Ltd. ("Nutrien") and the Mosaic Canada Crop Nutrien, LP ("Mosaic"), however, since 2017 production has been accompanied by K+S Potash Canada ("K+S Canada"), a wholly owned subsidiary of German-based potash producer K+S Group. Nutrien is the world's largest potash producer with over 20 Mt of capacity across its six potash mines in Saskatchewan. Mosaic operates three potash mines in Saskatchewan. K+S Canada owns one greenfield potash mine in Saskatchewan, the first greenfield potash mine in the province in over four decades.

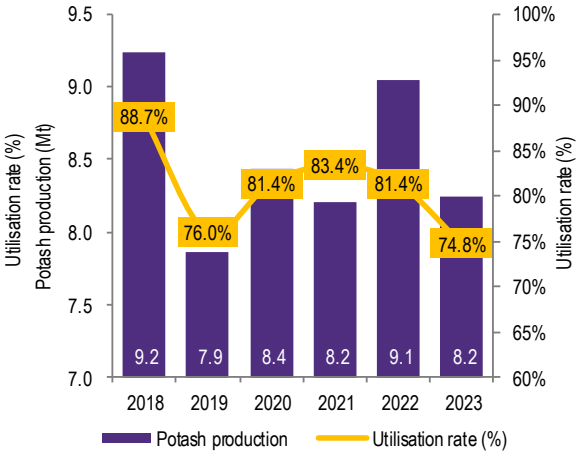
5.31 Canada exhibits latent capacity recording low production utilisation rates of approximately 65-70% relative to the next two largest producers in Russia and Belarus, which produce at approximately 82% and 92% of capacity respectively. Below we have set out the production and utilisation rates of Nutrien and Mosaic (we note that this information is not publicly available for K+S Canada).

Figure 18 - Production and utilisation rate of Nutrien



Source: Nutrien publicly available information, GTCF analysis.

Figure 19 Production and utilisation rate of Mosaic



Source: Mosaic publicly available information, GTCF analysis.

5.32 Notwithstanding this, Canada is the region of most capacity growth in the near term. The BHP Jansen project in Saskatchewan has the potential to become one of the world's largest potash mines, estimated to produce up to 8.5 Mt per annum once fully ramped up. BHP has invested almost US$10.5 billion into the project which is expected to commence production in late 2026. In addition, Nutrien has the option to invest in brownfield capacity expansion which add up to 5 Mt in annual potash production capacity, however, whilst announced in mid-2022 the expansion is yet to have commenced and in mid-2023 was paused in response to unfavourable market conditions.

5.33 There is a high degree of parity in cash costs between Canadian potash producers and the rest of the world. This is largely due to the royalty structure in Saskatchewan exceeding those in other parts of the world.

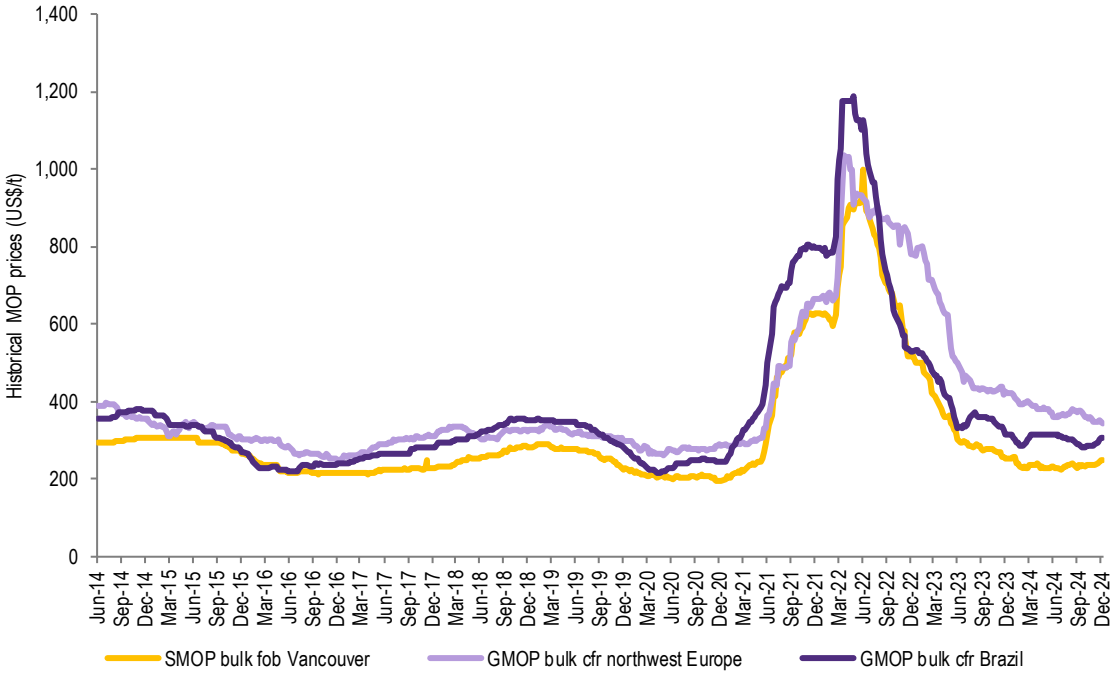
[21] According to Argus Consulting.

Historical potash prices

5.34 Given the dominance of Canada in the global potash market, the Vancouver FOB price has become the main potash price reference. Notwithstanding this, global MOP prices have historically moved in unison, with variances between regions largely due to the level of spot trading or temporary region-specific market conditions.

5.35 Global MOP prices declined steadily in the second half of the 2010s as significant investment in greenfield and brownfield potash projects in prior years, in anticipation of continuing historically high demand, was faced with more sedate demand levels and led to substantial excess capacity in the industry over this period. As a result, several potash mines globally were deemed not economically viable and were voluntarily idled at this time. Below we have set out the historical global MOP prices since 2014.

Figure 20 - Historical MOP prices



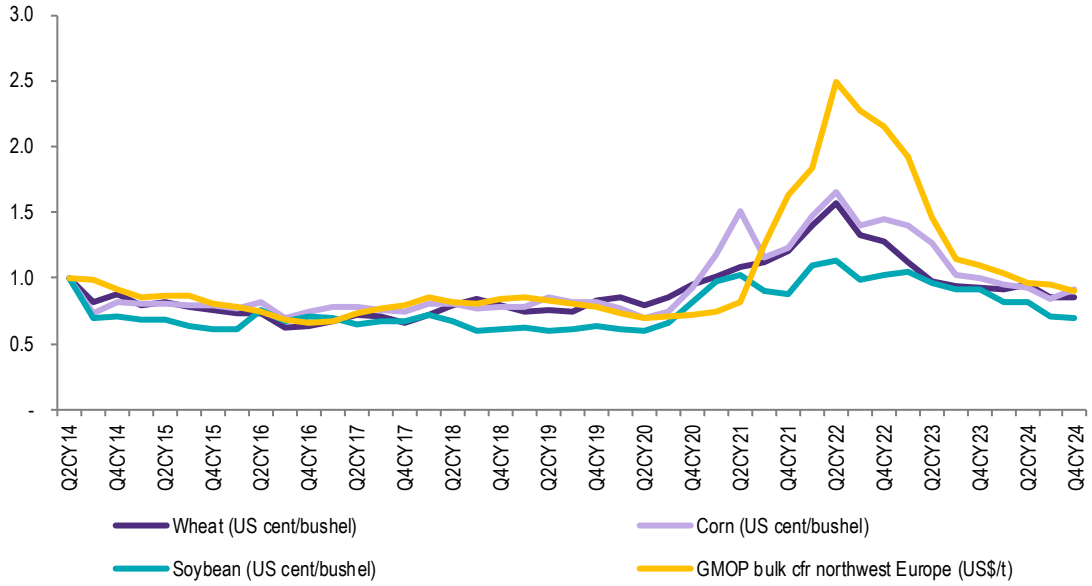
Source: GTCF analysis.

5.36 Demand for potash rebounded strongly in 2021 alongside growing governmental concerns over food security following the onset of the COVID-19 pandemic. This demand significantly outpaced supply as producers were unable to swifty respond due to the previous idled projects coupled with the pandemic induced mobility restrictions, as a result this placed significant upward pressures on global MOP prices. As prices began to fatigue, global potash supply was further constrained by economic sanctions imposed on Belarus and the loss of access to its key export port in Lithuania, coupled with the commencement of the Russia-Ukraine conflict. The imposition of US and EU sanctions on Russia fuelled this supply uncertainty and prompted precautionary stocking by large buyers including the US and Brazil. Consequently, prices soared over this period and recorded all-time highs in mid-2021.

5.37 In response to these historically high global MOP prices, which had rallied almost double that of crop prices, farmers worldwide took a collective stance to halt demand for potash-based fertilisers in the current season and replace the nutrient deficit with crop residues and manures. Accordingly, global demand for potash fell sharply, especially in Brazil, the US and Southeast Asia.

5.38 As set out in the chart below, agricultural crop prices generally influence global MOP prices.

Figure 21 - Historical GMOP European prices rebased to global crop prices (rebased to 1.0)



Source: GTCF analysis, Management, Public information.

Salt

5.39 Salt, also referred to as sodium chloride (chemical formula NaCl), is a 1:1 ratio of sodium and chlorine ions. It is one of the world's most essential inorganic compounds and has many applications across various industries given its relatively low extraction cost and large abundance including chemical manufacturing, de-icing, water treatment and food flavouring. There is limited economic substitutes or alternatives for salt in most of its applications[22]. Salt is a product of the evaporation of seawater (40% of global production), inland brine (35%) as well as the mining of rock salt and brine solutions (25%)[23]. Salt is also typically a byproduct of potash mining and processing, due to the fact that the predominant economic potash is sylvite: a KCl usually found with salt to form the rock sylvinite. During the processing of potash into a KCl concentrated brine, which is fed into a crystallisation unit, both vacuum salt and high-grade KCl product are obtained.

5.40 Salt has different unique characteristics that make it suitable for specific industrial applications. Below we have briefly summarised the primary types of salt products:

- Rock salt – also known as de-icing salt, is naturally occurring salt mined from underground salt deposits. It typically contains impurities and other minerals and is primarily used for de-icing roads.

- Vacuum salt – also known as purified rock salt, is a high-quality form of sodium chloride that is free from moisture and impurities such as dirt, dust and other contaminants. It is mainly produced via the byproduct salt of potash. Due to its purity, vacuum salt is often used for chemical manufacturing, food processing and water treatment.

22 Calcium chloride and calcium magnesium acetate, hydrochloric acid, and potassium chloride can be substituted for salt in anti-icing and de-icing, and certain chemical processes and flood flavouring, however, this is at a relatively higher cost point.

23 Sourced from Tridge 2021 Industry Report: Salt.

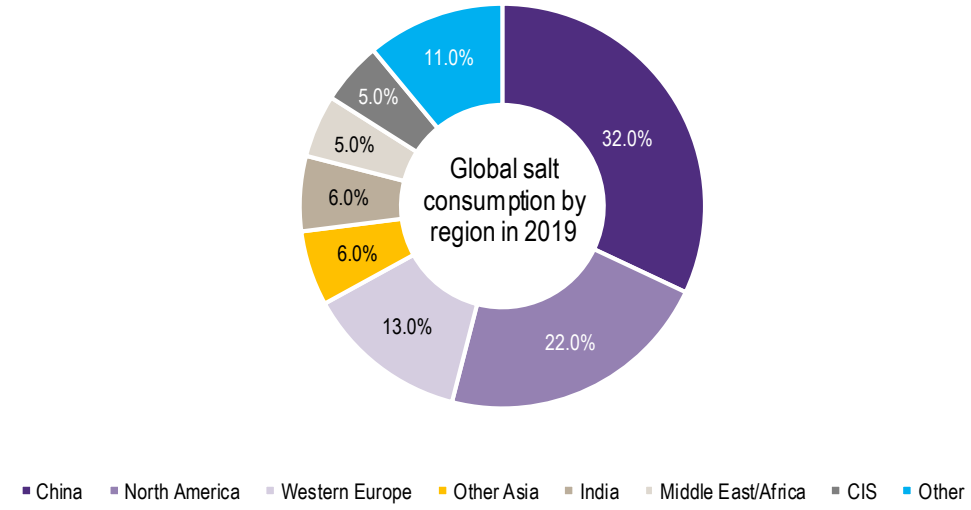
- Solar salt – is produced by evaporating sea water in large, shallow ponds using solar heat. It is commonly used in food products, chemical manufacturing and agricultural applications.

5.41 World continental resources of salt are vast and the salt content in the oceans is nearly unlimited. As a result, it is too difficult to estimate the global resources and reserves of salt. Nearly every country in the world has salt deposits or solar evaporation operations of various sizes.

Demand

5.42 Demand for salt has historically been dominated by three main regions (China, North America and Western Europe), which account for approximately 70% of salt consumption globally. Below we have set out the demand for salt by region in 2019 (we note that these ranking have remained relatively consistent in the past 15 years)[24].

Figure 22 - Global salt demand in 2019 by key region



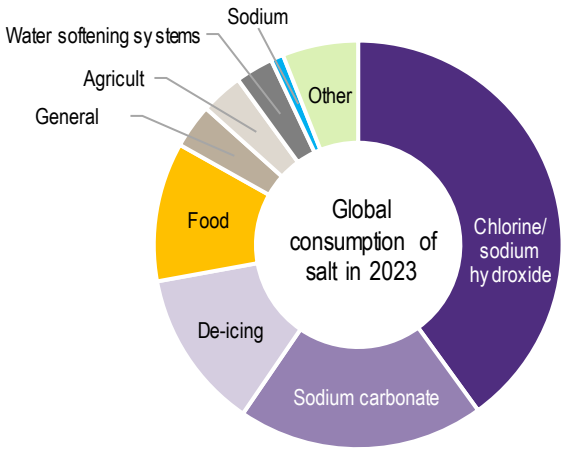
Source: Customs, GTCF analysis.
Notes: 1) CIS stands for the Commonwealth of Independent States and comprises of eleven countries from ex-USSR including Armenia, Azerbaijan, Kazakhstan, Kirghizstan, Moldavia, Uzbekistan, Russia, Tajikistan, Turkmenistan, and Ukraine.

5.43 Illustrated in the chart above, Asia represents nearly half the global salt consumption, of which is primarily contributed by China. Demand in this region is largely driven by the chemical industry which accounts for approximately 75% of Asia's salt consumption, which is higher than the rest of the world (approximately 55%). North America is the second largest consumer of salt, of which is primarily for de-icing purposes (approximately one-third of demand) to maintain the extensive transportation infrastructure of the United States and Canada during the winter season. Western Europe is also a major consumer of salt, primarily for road de-icing, albeit far less than North America, as well as for the chemical, water treatment and food industries. Intensity of salt use in the Middle East and Africa is the lowest in the world, largely due to the region's relatively undeveloped chemical manufacturing industries and nearly non-existent road de-icing market. This region is expected to grow demand in the future alongside an expanding chemical industry, growing food processing requirements and increases in water treatment.

5.44 Below we have set out a breakdown of the consumption uses of salt in 2023.

24 According to Argus Consulting.

Figure 23 - Global consumption of salt in 2023 broken down by use



Source: S&P Global Sodium Chloride Report, GTCF analysis.

5.45 As set out in the chart above, chemical production accounts for approximately 60% of salt consumption globally. Salt is a precursor in the industrial process to produce chlorine/sodium hydroxide (via the chlor-alkali process[25]) as well as sodium carbonate (via the Solvay process[26]), which are in turn used in manufacturing many chemical products. Sodium hydroxide is used in the aluminium, paper and soap industries, chlorine is used in the solvents, disinfectants and PVC industries and sodium carbonate is used to produce dyes, sodium bicarbonate and glass.

5.46 The second largest consuming segment is rock salt for de-icing, which traditionally represents approximately 10-15% of global salt consumption. Salt consumption for de-icing varies materially from year to year given its high dependence on climatic conditions. The largest rock salt producing countries, including the United States, Canada and Germany, primarily have the largest need for de-icing. Salt consumption for use in food, including household table salt and for preparation and preservation of food, is historically relatively stable and accounts for approximately 12% of global salt consumption.

5.47 Speciality, salt products such as vacuum salts will continue to grow in demand in the future, especially in developed markets, to support rapidly growing pharmaceuticals, chemical manufacturing and water treatment needs alongside global economic, social and demographic trends.

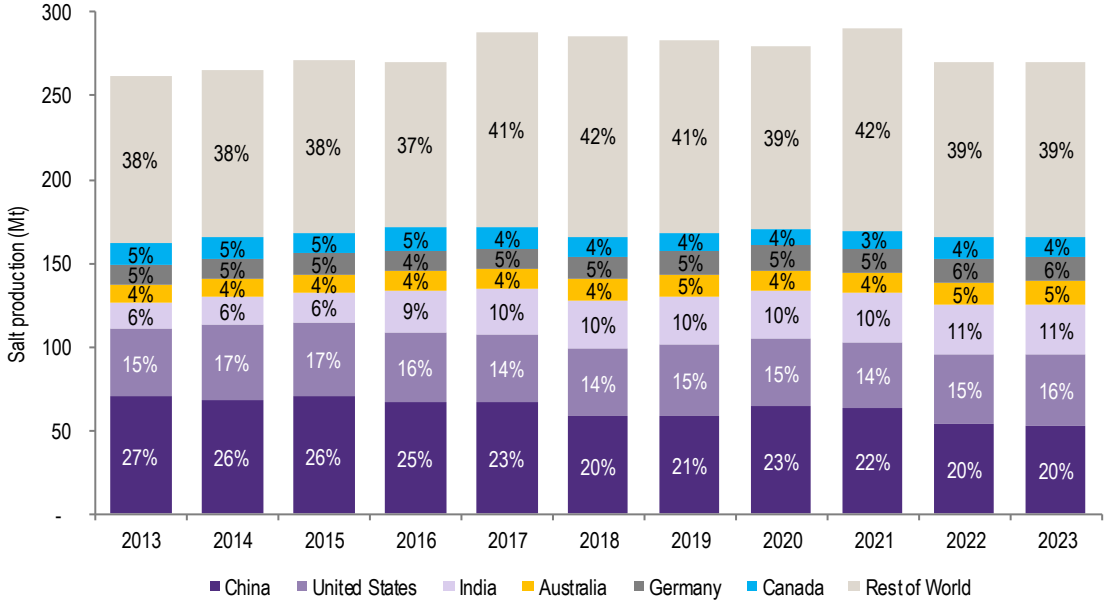
25 Chlor-alkali process is one in which an electricity is passed through an aqueous solution of sodium chloride (salt) which will decompose to form chlorine/sodium hydroxide.

26 Solvay process or ammonia-soda process is the major industrial process for the production of sodium carbonate.

Supply

5.48 Below we have set out the historical global production of salt by key producing country.

Figure 24 - Historical global production of salt by key producing country

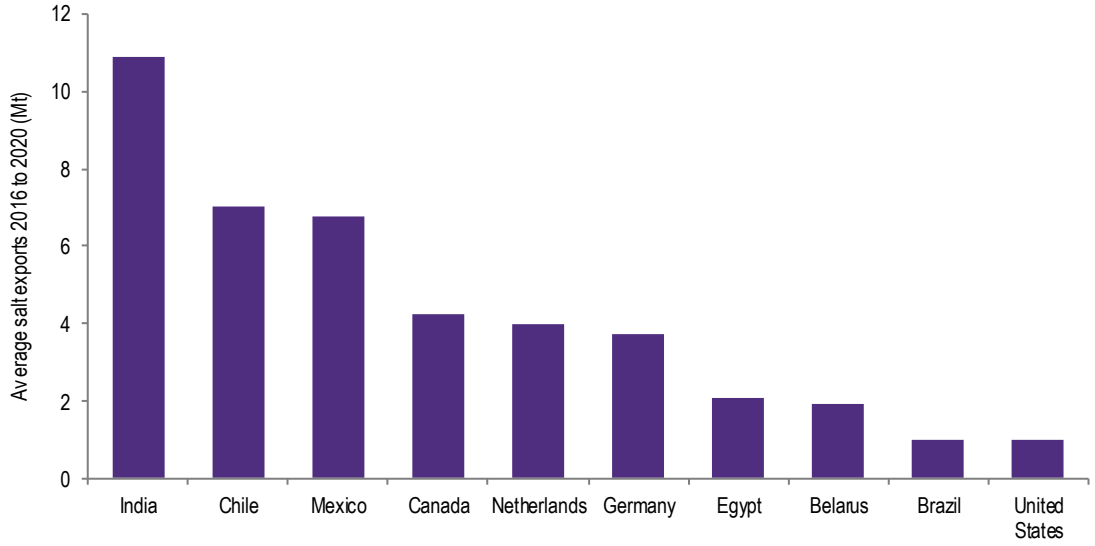


Source: United States Geological Survey, GTCF analysis.
Notes: 1) The salt production figures represented in the chart above are sourced from USGS and based on reported and estimated information.

5.49 As set out in the chart above, global salt production has historically remained relatively flat at approximately 270 Mt per annum. Almost half of the global annual production of salt is represented by China, the United States and India. China is the leading salt producer in the world, contributing approximately 20-25% of global salt production. The United States has historically been a clear second largest salt producer, representing approximately 15% of global salt production, however, this standout position has diminished in the last decade following strong salt production growth in India. Specifically, India has grown its annual salt production at a 10-year CAGR of 6.5% (16 Mt in 2013 to 30 Mt in 2023) over a period where global salt production has been relatively flat (10-year CAGR of 0.3%). This is largely the result of a strategic aim by India to become self-sufficient in its salt production to meet its growing and future needs.

5.50 Due to its large mineral resource prevalence throughout the world, coupled with its low price and simple extraction process, the majority of salt exports are restricted to regional markets. Historically, approximately 10% of global salt production is traded over large distances. The primary exporters of salt are countries with climatic and geographical conditions that allow for reliable low-cost production. Below we have set out the 10 largest salt exporting countries in recent years.

Figure 25 - Top ten largest salt exporters (2016-2020 annual average)

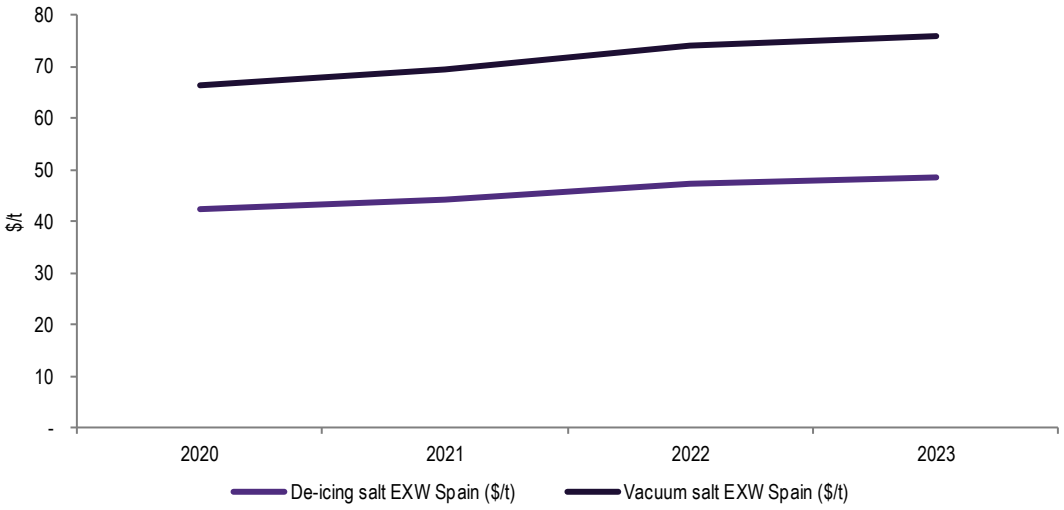


Source: Customs, GTCF analysis.

Historical salt prices

5.51 Below we have set out the historical prices for de-icing and vacuum salt over the past 3 years.

Figure 26 - Historical salt de-icing and vacuum salt prices from 2020-2023



Source: GTCF analysis, Management, Argus Media
Notes: (1) Prices are on a nominal basis. (2) Historical salt prices in 2023 are up until March.

5.52 As shown in the graph above, salt prices have been stable and remained relatively flat over the last three years, compared to potash prices which have been extremely reactive to macroeconomic factors and disruptions such as the Russia-Ukraine conflict. As mentioned above, the demand and supply for salt has remained relatively stable and the majority of salt exports are restricted to regional markets, likely minimising the volatility of salt prices.

6. Profile of Highfield

Introduction

6.1 Highfield is an ASX listed company focused on the exploration and development of potash mining projects, holding a 100% interest in three projects located in Spain's Ebro Potash Basin. The Company's flagship Muga Project is situated near Pamlona, covering approximately 46km² of land. The Muga Project has an updated feasibility study, published on 8 November 2023, which reconfirmed a 30-year LOM and planned capacity of 1 Mtpa. The Company is currently securing the remaining financing required for the advancement of Phase 1 of the Muga Project[27].

6.2 The Company has all the necessary permits to start the full-scale construction of the Muga Project (Phase 1) including civil works, processing plants and ramps. The Company has also successfully secured access to all land necessary to build the mine[28], with mining planned to commence at a depth of approximately 350 meters from the surface in the relatively shallow sylvinite beds in the regions of Navarra and Aragón. Pre-production capital costs for Phase 1, which includes the completion of twin declines to access the ore body, to bring the mine to its full operating capacity of approximately 1 Mtpa, is estimated at c. €449 million, including a 10% contingency.

6.3 In addition to the Muga Project, the Company owns 100% of two other early stage potash projects in the same region resulting in Highfield's potash tenements covering a total area of approximately 250km²[29] being 1) the SdP Project which comprises three permits including Quiñones, Adiós and Ampliación de Adiós, covering an approximate area 120km². SdP is a brownfield target which previously hosted two potash mines operating between 1960s and 1990s and which produced 500,000 tonnes of potash per annum; and 2) the Pintanos Project which is adjacent to the Muga Project. The Pintanos Project tenement area comprises three permits including Molineras 1, Molineras 2 and Puntarrón, covering an aera of 65km².

6.4 In addition, the Company owns the Vipasca permit which is adjacent to the western border of the Muga Project. Its geological characteristics make Vipasca's potash unit a natural continuation of the Muga deposit, upgrading its categorisation from Exploration Target to Mineral Resource. During the first quarter of 2022, the Company requested the Government of Navarra to turn the Vipasca investigation permit into a mining concession[30], which was the first step in incorporating the Vipasca area into the operations of the Company, which will run parallel with the construction of the Muga Project.

The Muga Project

6.5 Highfield's flagship Muga Project targets the relatively shallow sylvinite beds in an area that covers 38.7km² located in the Spanish Provinces of Navarra and Aragón[31]. The Muga Project is located approximately 40km east of the two historical operating potash mines at Sierra del Perdon, which operated almost continuously from 1967 until 1997. The Muga Project is 100% owned by Geoalcali S.L.U, which is indirectly wholly owned by Highfield. Highfield acquired its interest in the Muga Project through its

27 Remaining funds being raised from the Conditional Placement, the Southey Acquisition and the Cornerstone Placement.

28 Subject to the announcements released to ASX on 23 and 28 October 2024 concerning the Goyo mining concession. See Figure 27 for further details.

29 Highfield ASX announcements - Muga Funding and Creation of a New Globally Diversified Potash Company - September 2024

30 A mining concession lasts for a period of 30 years, which can be renewed for a subsequent 30-year period to a maximum of 90 years.

31 The Muga Project was previously comprised of three tenements, however during Q1 2022 Highfield relinquished the Goyo Sur and Muga P.I. areas due to their lack of geological interest.

acquisition of 100% of the share capital of KCL Resources Ltd in October 2012 for 50,000,000 fully paid ordinary shares at $0.23 per share[32] (c. A$11.5 million total consideration).

6.6 The Muga Project is a unique project that has shallow mineralisation with no aquifers above it, meaning there is no requirement to build a shaft and there is already appropriate infrastructure in place in the region. The area in which the Muga Project is located was previously held by Mina de Potasas de Navarra and Subizia SA, who completed substantial exploratory work including drilling across the primary tenement areas. Since the acquisition in 2012, the Company has completed an additional thirty-six drill holes at the Muga Project, which has positioned it as ready to initiate construction.

6.7 The Company now has all the necessary permits and land[33] to start the full-scale construction of Muga, including the Civil works, process plant and ramps. We have set out below a summary of the Muga Project permits for Highfield's Spanish potash projects:

Figure 27 - Highfield Tenement Schedule

Highfield Schedule of Tenements									
Project	Region	Permit Name	Permit Type	Applied	Granted	Ref#	Area Km^2	Holder	Structure
Muga-Vipasca	Navarra	Muga Sur	Investigation	25/09/2014	30/06/2020	5424	7.28	Geolacli SLU	100%
Muga-Vipasca	Navarra	Vipasca	Investigation	6/11/2013	11/12/2014	35900	14.10	Geolacli SLU	100%
Muga-Vipasca total							**21.38**		
Muga	Navarra	Goyo	Concession	19/07/2011	1/07/2021	3578	15.30	Geolacli SLU	100%
Muga	Aragón	Fronterizo	Concession	21/06/2012	1/07/2021	3502	9.00	Geolacli SLU	100%
Muga	Muga	Muga	Concession	29/05/2013	1/07/2021	3500	14.40	Geolacli SLU	100%
Muga total							**38.70**		
Total							**38.70**		

Source: Highfield CY23 Annual Report.
Notes: (1) Geolacli SLU is the holder of each of the permits detailed above. (2) Ownership of each permit is 100%. (3) On 23 and 28 October 2024, Highfield released ASX announcements stating that the court has identified a procedural flaw in the internal administrative coordination process relating to the granting of the Goyo mining concession by the Government of Navarra. The Company has received confirmation that the Government of Navarra is analysing the ruling to resolve and correct the situation. We understand the Company are confident of a positive resolution, with the project already evaluated with "sufficient rigour and in a coordinated way by all administrations". (4) Area under concession progress.

6.8 During 2015, the Company announced a total of 36 exploration drill holes had been completed within the Muga Project tenements, which provided a high level of confidence with respect to continuity of resources. In addition, the Company also announced a substantial Exploration Target calculated for north-western extension of the flagship Muga tenement area within the Vipasca permit.

32 Highfield Annual Report 2013

33 Subject to the announcements released to the ASX on 23 and 28 October 2024 concerning the Goyo mining concession. See Figure 27 for further details.

Ore Reserves and Mineral Resources

6.9 Below we provide an overview of total Ore Reserves and Mineral Resources estimates for the Muga Project as at 31 December 2023.

Figure 28 - Muga Project Ore Reserves and Mineral Resources

Muga Project Ore Reserves and Mineral Resources	Million Tonnes	Grade %K2O	K20 (Mt)[1]	KCl (Mt)[2]
Muga Project Ore Reserves				
Proved	45.3	10.5%	**4.8**	**7.5**
Probable	59	10.0%	**5.9**	**9.3**
Total Proved & Probable	**104.3**	**10.2%**	**10.7**	**16.9**
Muga Project Mineral Resources				
Measured	103.2	12.3%	12.7	20.1
Indicated	134.1	11.7%	15.7	24.8
Total Measured & Indicated	**237.3**	**12.0%**	**28.4**	**44.9**
Inferred	44.9	10.8%	4.8	7.7
Total Mineral Resources	**282.2**	**11.8%**	**33.2**	**52.6**

Source: Highfield CY23 Annual Report Highfield, Updated Feasibility Study 2023.
Notes) (1) K20 Mt is calculated based on the Mt of resources at each project multiplied by their respective K20% grade. (2) We have calculated the KCl (Mt) by multiplying the K20 (Mt) resources of each respective project by a conversion rate of 1.58303 (as sourced from Highfield ASX announcements). (3) Data as at 31 December 2023.

6.10 On 23 November 2021, the Company released an updated MRE that included the Muga Project as a result of the independent technical review undertaken by SRK. The updated MRE reported an expansion from an initial 163.2 million tonnes within the inferred Resource category in 2014, to 237.3 million tonnes of Measured and Indicated Resources in 2021. The Company considered these estimates to remain valid as at 31 December 2023. A maiden Ore Reserve for the Muga Project was derived as part of the Definitive Feasibility Study released on 30 March 2015. On 23 November 2021, the Company released an updated Ore reserve for the Muga Project of 104.3 million tonnes. The Ore Reserve was audited by SRK and the company considers it to remain valid as at 31 December 2023.

6.11 The current mine plan for the Muga Project is based on two main mining zones, with each zone using a slightly different technique to extract potash depending on the dip of the potash mines. Development will first occur in the western development of the mine.

Updated Feasibility Study

6.12 On 8 November 2023, the Company completed an update of its Feasibility Study for the Muga Project, previously completed in November 2022, which reflected a more refined approach to certain mining and processing technical assumptions and reconfirmed the economic viability of the Muga Project.

6.13 We have detailed some of the key highlights of the feasibility study below:

- A 30-year LOM with production planned over two phases to produce up to 1 Mtpa of MOP.
- A competitive C1 cash cost estimate of €108/t post salt product revenue.

- Pre-production construction capital requirement for Phase 1 of €449 million, and €286 million for Phase 2, which is approximately 11% higher than the total capex of €735 report in the 2022 Feasibility Study. There was an improved level of confidence in capex estimates, with 93% of capex based on contracts plus firm offers, compared to 76% in the 2022 Feasibility Study.

- The feasibility study was supported by external parties including IGAN Consulting Group (technical mine planning support), SLR Consulting (supporting Ore Reserves) and SYSTRA Subterra S.L. (engineering mine support).

6.14 The capital cost estimate for Phase 1 is for the construction of a treatment and processing plant, to produce approximately 500,000 tonnes of MOP per annum. Total construction works including plant commissioning for Phase 1 will occur over 30 months, with an 8 month ramp up period to achieve the plant nameplate capacity.

6.15 Phase 2 of the project will be an extension of the treatment plant, with a compacting and glazing unit to achieve an additional 500,000 tonnes of MOP per annum, yielding average MOP production for the rest of the LOM of nearly 1 million tonnes after Phase 2 development. Phase 2 will be developed in 24 months and will be a replication of Phase 1 without the same requirement for access roads, site preparation, power lines and ponds, which only occur in Phase 1.

6.16 Below we provide a breakdown of capex estimates for Phase 1 of the Muga Project based on the latest estimates.

Figure 29 - Muga Project Capex Breakdown

Phase 1 Capex Breakdown € million	Sep-22	Oct-23
Underground capex	98.6	107.7
Aboveground civil works	54.3	56.4
Facilities building	5.8	4.9
Process plant capex	175.1	169.5
Dewatering and backfilling plant	55.3	65.4
Utilities	15.8	15.1
Indirect costs	21.4	20.0
Pre-production costs	9.7	9.8
Total	**436.1**	**448.8**

Source: Highfield Updated Feasibility Study 2023

6.17 For the first few years until the construction of Phase 2, the project will only be SMOP as the commissioning of the GMOP processing plant takes extra time. In addition, GMOP requires an additional investment to upgrade the product (a compaction and glazing unit) which is planned to be built in Phase 2.

6.18 Phase 1 is based on the mine plan prepared internally in conjunction with IGAN Consultores and reviewed by SLR and includes construction of the following:

- Twin parallel declines 25 meters apart, approximately 2.6km in length with an average slope of 15%. The declines will be excavated using road headers and drill and blast for hard rock, with construction predicted to take around 17 months.

- In the year following completion of the declines, underground infrastructure will be developed for the ore transfer room and electrical substation in parallel with development of access to production area in the western area of the mine.

6.19 The processing plant is part of an above ground beneficiation plant that includes storage for ROM ore, crushing and flotation processing, including a two-stage crystallizer, product drying, compacting, and glazing installations, product storage and dispatch facilities, including all ancillary site buildings. The design in Phase 1 includes the production of 100% standard MOP (SMOP) with the implementation of GMOP production in Phase 2. It will produce approximately 280,000 tonnes of vacuum salt for resale in Phase 1 and double this amount in Phase 2.

6.20 During March 2024, the Company signed a contract with the EPOS-TUNELAN joint venture, for the declines and underground mining infrastructure, with a construction period of 26 months. The value of the decline contract is c. €48 million which represents 11% of the Phase 1 capex of €449 million.

6.21 The Company also announced on 30 April 2024, that a contract for the Muga Project's Civil Works has been signed with Acciona Construction, S.A for a value of c. €57 million. The award of contract is for the provision of infrastructure including facilities and equipment for transportation, energy, water supply, waste treatment and disposal for the Muga Project. IDOM, an independent Spanish firm which specialises in providing consulting engineering and architecture professional services, will provide technical support and supervision during the construction for the civil works. The construction duration agreed with Acciona covers 27 months and accounts for almost a third of the Muga Project construction budget.

Sales strategy

6.22 During 2023, the Company updated its marketing plan to meet the newest developments introduced in the updated 2023 feasibility study, including the production of SMOP in Phase 1 and GMOP in Phase 2. The Company's sales plan assumes that the majority of SMOP is to be sold in Europe in both phases, while 50% of the total Phase 2 GMOP production is to be sold into local and regional market. The remaining 50% of GMOP production will be split with 25% being sold into north European markets and the remaining 25% to other export markets.

6.23 Highfield also continues to engage with three nearby ports. It has previously signed MOUs within the North of Spain and South of France to effectively build the Company's transport and logistics strategy. Low logistics cost is a key part of a potash producer's competitive advantage and immediate access to ports will provide the Company with links to other key potash markets such as North America, where demand for potash is high and global consumers are facing growing difficulties in sourcing MOP. Potash supply is required following the disruptions caused by the Russia-Ukraine conflict with global supply being rewritten, placing the focus on local supply sources such as the Muga Project. The Company plans to conduct a tender process for its logistics once the project is fully financed.

6.24 Highfield already has multiple offtake agreements in place for the sale of MOP from the Muga Potash Mine. For example, during 2019 as part of its sales and marketing strategy, the Company announced the signing of a non-binding offtake MOU with Ameropa AG, for the sale of 250,000 tonnes of MOP from the Muga Potash Mine. The product will be a combination of both standard and granular MOP with Highfield having the option to increase to 300,000 metric tonnes per annum. During 2020, the Company also announced the signing of a non-binding MOU offtake with Keytrade AG and Geoalcali, Highfield's wholly owned Spanish subsidiary. Under the MOU Highfield can provide Keytrade AG up to 300,000 metric

tonnes per annum of MOP. The company continues to engage in ongoing offtake discussions with other wholesale customers for the full production capacity of the Muga Project.

6.25 The mine is also designed to allow production of vacuum and de-icing salt for sale and during 2023 the Company significantly progressed its salt sales and marketing plan. During Q4 2023, the Company signed a take-or pay offtake agreement with Maxisalt for a minimum of 50,000 tonnes per annum with the option to sell up to 75,000 tonnes per annum of vacuum salt for the first 5 years of production. This represents 20-30% of the expected high-grade salt production in Phase 1 of the Muga Project.

Funding

6.26 The Company has secured the following funding for the Muga Project:

- €320.6 million project finance facility originally signed in 2022 with four major European banks, including BNP Paribas S.A., ING Bank N.V., Natixis CIB and Societe Generale (London Branch) with HSBC Continental Europe and Caja Rural de Navarra joining in April 2023.
- €25 of equipment operating lease finance with Macquarie Bank.

6.27 In terms of equity funding, the Company is planning to raise or has recently raised the following:

- Short Term Funding of c. US$15 million (inclusive of the US$5 million via the Conditional Placement with EMR) and the SPP for A$2.0 million at A$0.2989 per HRL Share.
- US$220 million (c. A$343.8 million) at A$0.50 per HRL Share which is part of the Transaction, with several conditions precedent yet to be met.

Sierra Del Perdón Project and Pintanos Project

6.28 The SdP tenement area is located southeast of Pamplona with three investigation permits (Quiñones, Adiós and Ampliación de Adiós) which are brownfield targets that previously hosted two potash mines operating from the 1960s until the late 1990s, producing nearly 500,000 tonnes of potash per annum.

6.29 The Pintanos project is adjacent to the Muga Project and comprises the three permits including Molineras 1, Molineras 2 and Puntarrón.

6.30 There has been no drilling activity carried out in either of these tenements since 2019, as the current priority for the Company remains the development of the Muga Project.

Financial information

Financial performance

6.31 The table below illustrates Highfield's audited consolidated statements of comprehensive income for the last three financial years ended 31 December 2022, 31 December 2023 and 31 December 2024.

Figure 30 - Highfield's consolidated statements of financial performance

Consolidated statements of financial performance	CY22	CY23	CY24
A$	Audited	Audited	Unaudited
Continuing operations			
Other Income	-	-	-
Gain/(Loss) on foreign exchange	(136,452)	(34,600)	42,935
Listing and share registry expenses	(153,953)	(135,727)	(204,306)
Professional and consultant's fees	(947,856)	(1,928,608)	(4,452,619)
Director and employee costs	(2,391,652)	(3,274,134)	(3,498,501)
Share-based payments expense	(605,551)	(319,469)	(328,625)
Travel and accommodation	(171,743)	(130,452)	(291,132)
Donations	(21,379)	(81,862)	(31,440)
Impairment - Exploration	-	-	(910,848)
Depreciation	(18,507)	(26,274)	(19,493)
Due dilligence expenses	-	-	(164,042)
Other expenses	(1,375,327)	(1,462,633)	(1,608,106)
Fair value derivative adjustment expense	-	(4,892,421)	(1,576,260)
Interest (paid)/received	33,067	170,857	169,396
Loss before income tax	**(5,789,353)**	**(12,115,323)**	**(12,873,042)**
Income tax expense	-	-	-
Net loss for the period	**(5,789,353)**	**(12,115,323)**	**(12,873,042)**
Other comprehensive income			
Exchange differences on translation of foreign operations	830,372	4,241,079	4,348,953
Total comprehensive loss for the period	**(4,958,981)**	**(7,874,244)**	**(8,524,089)**

Sources: Highfield Annual Reports, Management.

6.32 Highfield's financial performance reflects the early-stage exploration and development of the underlying assets with no revenue being generated and costs mainly relating to professional and consultant's fees, and director and employee costs. The increase in professional and consultant's fees during CY24 are primarily driven by financial and advisory fees and charges in connection with the development of the Transaction. Revenue obtained for the Company relates to interests earned from the cash positions held by the Company in both Spanish and Australian institutions.

6.33 The Company recorded an impairment expense of A$0.9 million in CY24 relating to deferred exploration and evaluation expenditure. The impairment expense was identified after a thorough review of the carrying balance of Muga and mainly related to consultant's costs incurred in prior years.

6.34 Other expenses relate primarily to insurance costs which remained steady at c. A$0.7 million across CY22 and CY23. Investor relations and computer and software expenses also account for a large portion of other expenses, both totalling approximately A$0.1 million in CY23.

6.35 The interest expense, as displayed in the table above, refers to the payment in kind on the convertible notes issued in May 2023 via addition to the face value.

Financial position

6.36 The table below illustrates Highfield's audited consolidated statements of financial position as at 31 December 2022, 31 December 2023 and 31 December 2024.

Figure 31 - Highfield's consolidated statement of financial position

Consolidated statements of financial position	31/12/2022	31/12/2023	31/12/2024
A$	Audited	Audited	Unaudited
Current Assets			
Cash and cash equivalents	19,446,084	14,083,844	11,959,572
Other recievables	15,932,428	28,181,863	39,120,297
Total Current Assets	**35,378,512**	**42,265,707**	**51,079,869**
Non-Current Assets			
Other receivables	1,224,574	1,208,422	1,311,542
Property,plant and equipment	4,783,362	13,127,954	13,579,883
Deferred exploration and evaluation expenditure	126,574,416	147,313,513	155,102,389
Total Non-Current Assets	**132,582,352**	**161,649,889**	**169,993,814**
Total Assets	**167,960,864**	**203,915,596**	**221,073,683**
Current Liabilities			
Trade and other payables	8,715,405	16,896,675	12,695,099
Short term bank debt	11,323,884	9,889,127	7,499,087
Land expropiation accrual	-	-	5,874,469
Loans and borrowings	-	-	31,965,065
Derivative financial liability	-	-	7,608,215
Total Current Liabilities	**20,039,289**	**26,785,802**	**65,641,935**
Non-Current Liabilities			
Loans and borrowings	-	22,790,641	-
Derivative financial liability	-	8,017,843	-
Other non-current liabilites	198,843	3,026,635	3,787,536
Total Non-Current Liabilities	**198,843**	**33,835,119**	**3,787,536**
Total Liabilities	**20,238,132**	**60,620,921**	**69,429,471**
Net Assets	**147,722,732**	**143,294,675**	**151,644,212**

Source: Highfield Annual Reports, Management.

6.37 Cash and cash equivalent movements between 31 December 2022 and 31 December 2024 have been as a result of continued exploration activities, primarily relating to the development of the Muga Project and the settlement of funding fees to the Project Finance banks and working capital. Despite the decrease from c. A$19.5 million to c. A$12.0 million between 31 December 2022 and 31 December 2024, the Company has raised capital during CY22, CY23 and CY24 as detailed in the cash flow section below.

6.38 Other receivables relate to GST and VAT receivables which are non-interest bearing and for which their carrying value is assumed to approximate their fair value. Other receivables also relate to guarantees and deposits provided to third parties, mainly the restoration deposit to ensure the appropriate rehabilitation of the land. Prepaid expenses are also included in other receivables and reflect the transaction costs relating to the financing for the Muga Project, which is to be included as part of the amortised cost and debt facility

when drawn down. Prepaid expenses accounted for A$15.7 million and A$27.9 million of current other receivables as at 31 December 2022 and as at 31 December 2023 respectively. The non-current portion of other receivables relates to guarantees provided to third parties.

6.39 Capitalised exploration and evaluation expenditure exclusively relates to the Muga Project and costs have been capitalised on the basis it is expected to be recouped through future successful development or alternatively a sale of the respective mining areas.

6.40 Other non-current liabilities include a restoration provision, which accounts for the present value of the company's legal obligation to dismantle and remove certain items of property, plant, and equipment and to restore and rehabilitate the land on which they were situated.

6.41 The Company's total gross debt increased from c. A$11.3 million on 31 December 2022 to c. A$47.1 million on 31 December 2024 as illustrated in the table below.

Figure 32 - Highfield gross debt analysis

Gross Debt	31/12/2022	31/12/2023	31/12/2024
A$	Audited	Audited	Unaudited
Current:			
Short term bank debt	11,323,884	9,889,127	7,499,087
Loans and borrowings - current	-	-	31,965,065
Derivative financial liability - current	-	-	7,608,215
Total current debt	**11,323,884**	**9,889,127**	**47,072,367**
Non-current:			
Loans and borrowings - non-current	-	22,790,641	-
Derivative financial liability - non-current	-	8,017,843	-
Total non-current debt	**-**	**30,808,484**	**-**
Total gross debt	**11,323,884**	**40,697,611**	**47,072,367**

Sources: Highfield Annual Reports, Management

6.42 Short term bank debt refers to commitment fees payable to the bank syndicate that participate in the financing of the Muga Project.

6.43 Refer below for the terms of the convertible notes. Derivative financial liabilities relate to the conversion options of the convertible notes that have been issued by the Company. The company currently has 2,652 unlisted convertible notes which were issued for a total of c. A$34.6 million and which have an annual interest rate of 14%. The convertible notes will be converted into fully paid ordinary HRL Shares upon certain milestones and conversion prices.

Convertible notes

6.44 On 22 May 2023, the HRL entered a Convertible Note Deed with EMR and Tectonic Investment Management. The deed resulted in the issuance of 1,938 notes bearing an interest rate of 14% annually and having a 24-month maturity (Tranche 1). The deed provided that notes will convert into Highfield shares at the lower of: 1) A$0.515 being the VWAP of Highfield shares traded over the 20 days prior to convertible note deed issued; 2) If a change of control occurs, a 25% discount to the implied valuation per share from the transactions; and 3) If Highfield issues any new securities between the issuance of the convertible notes and their maturity (being 22 May 2025), a 10% discount to the lowest issue price or exercise price.

6.45 On 22 December 2023, HRL entered into a further Convertible Note Deed under which 408 convertible notes were issued to EMR and other investors with a face value of US$10,000 per note and 306 notes issued to Tectonic with a face value of A$10,000 per convertible note and interest rate of 14% per annum (Tranche 2). The total raised was US$6.1 million (c. A$9.1 million) with the convertible notes bearing an interest rate of 14% (paid via payment in kind) and secured over all HRL Shares and shareholders loans. The deed provided that convertible notes will be converted into HRL Shares at the lower of: 1) A$0.3147 (VWAP of HRL Shares traded over the 20 days prior to convertible note deed issued); 2) If a change of control occurs, a 25% discount to the implied valuation per HRL Share from the Transaction; and 3) If Highfield issues any new securities between the issuance of the convertible notes and their maturity (being 22 June 2025), a 10% discount to the lowest issue price or exercise price.

6.46 As announced on 24 September 2024, the terms of both the Tranche 1 and Tranche 2 convertible notes were amended such that they convert at a conversion price which ignores the conversion price adjustment associated with the Short Term Funding (if the Transaction occurs) and convert at around the time of the completion of the Transaction. Assuming no further equity raises (other than the Conditional Placement and the Cornerstone Placement), the weighted average conversion price for both tranches is A$0.2905.

Cash flows

6.47 Highfield's cash flow statements for the last three financial years are set out below.

Figure 33 - Highfield's consolidated statements of cash flows

Consolidated statement of cash flow	CY22	CY23	CY24
A$	Audited	Audited	Unaudited
Cash flows from operating activities			
Payments to suppliers and employees	(5,930,779)	(10,872,634)	(9,673,143)
Interest (paid)/received	25,689	152,816	89,461
Other receipts including GST/VAT received	1,904,221	810,701	777,750
Net cash used in operating activities	**(4,000,869)**	**(9,909,117)**	**(8,805,932)**
Cash flows from investing activities			
Purchase of plant and equipment	(2,889,597)	(951,307)	(108,738)
Payments for exploration and evaluation expenditure	(9,256,046)	(8,610,752)	(5,146,088)
Net cash used in investing activities	**(12,145,643)**	**(9,562,059)**	**(5,254,826)**
Cash flows from financing activities			
Proceeds from issue of securities	13,400,000	-	17,015,224
Proceeds from conversion of options	810,000	-	-
Payments for share issue costs	(737,000)	-	(472,515)
Payments of project finance fees	-	(11,566,518)	(12,619,942)
Proceeds from convertible notes	-	26,070,098	7,574,218
Payments for convertible note	-	(154,036)	-
Net cash provided by financing activities	**13,473,000**	**14,349,544**	**11,496,985**
Net (decrease)/increase in cash	(2,673,512)	(5,121,631)	(2,563,773)
Cash at the beginning of the period	22,241,425	19,446,084	14,083,844
Effect of exchange rate fluctuations on cash	(121,829)	(240,609)	439,501
Cash at the end of the period	**19,446,084**	**14,083,844**	**11,959,572**

Sources: Highfield Annual Reports, Management

6.48 Net cash used in investing activities is primarily related to payments for exploration and evaluation expenditure which remained stable across CY22 and CY23. Exploration and evaluation expenditure

relates to each separate area of interest and include costs associated with the rights to explore, studies, exploratory drilling, trenching and sampling and associated activities.

6.49 We have detailed the movement in HRL Shares on issue since CY22:

- 21,612,904 HRL Shares were issued during the year ended 31 December 2022 via a A$13.4 million institutional placement at a price per HRL Share of A$0.62. The issue of HRL Shares included 10,806,434 unlisted free options to investors exercisable at $0.93 per option.
- During CY22, 1,000,000 HRL Shares were issued upon conversion of unlisted options exercisable at A$0.81, expiring on 30 June 2023.
- During CY23, the company issued 5,140,942 HRL Shares to settle the success fees charged by the Company's financial advisor following the execution of the Senior Debt Facility Agreement.
- During CY24, 50,034,205 HRL Shares were issued as part of the Unconditional Placement and 6,891,936 were issued as part of the SPP.
- On 17 February 2024, 24,967,169 HRL Shares were issued as part of the Conditional Placement.

Share capital structure

6.50 474,077,043 HRL Shares, inclusive of the 24,967,169 HRL Shares issued as part of the Conditional Placement on 17 January 2025.

6.51 12,967,909 unlisted options with an exercise price ranging between A$0.47 and A$1.07 and an weighted average exercise price of A$0.85. Vesting of the options are subject to employees achieving certain conditions. The options are assessed for vesting in equal instalments over three years.

6.52 We have detailed below the key terms of HRL's existing options including the number of options, exercise price and expiry date of the options.

Figure 34 - HRL unlisted options

Unissued ordinary shares under options as at the Report date			
Option	Number of options	Exercise Price (A$)	Expiry date
1	1,144,806	0.81	31/12/2025
2	333,334	0.47	31/12/2025
3	1,554,476	0.87	31/12/2025
4	1,402,098	0.87	31/12/2026
5	1,503,773	0.94	31/12/2025
6	767,332	0.94	31/12/2026
7	767,324	0.94	31/12/2027
8	1,000,000	1.07	30/06/2025
9	1,741,434	0.79	31/12/2026
10	861,666	0.79	31/12/2027
11	891,666	0.79	31/12/2028
12	1,000,000	0.67	30/06/2027

Sources: Highfield Half Year Results Report CY24.

Top Shareholders

6.53 The top HRL Shareholders as at 31 December 2024 (before the completion of the Conditional Placement) are set out below:

Figure 35 - Top HRL Shareholders before the completion of the Conditional Placement

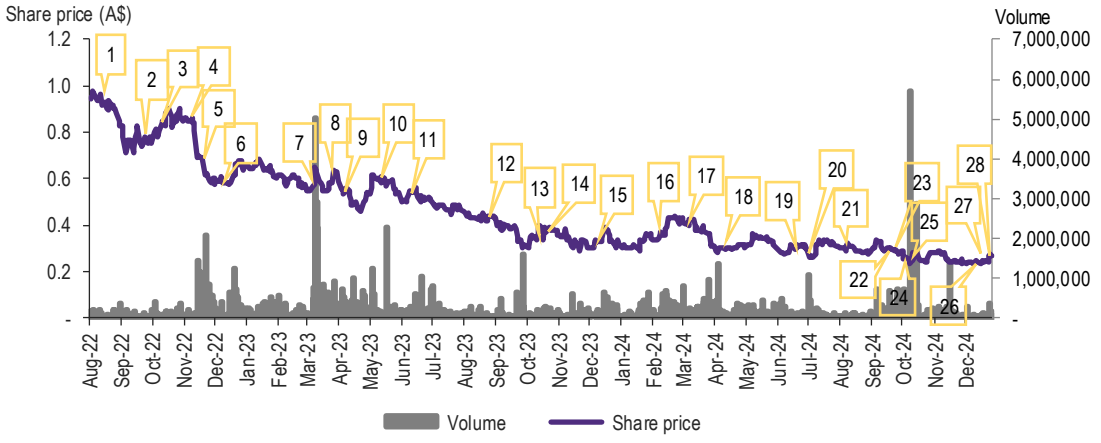
Top five shareholders of Highfield Shareholder	No. of shares	Interest (%)
EMR Capital Pty.Ltd.	104,038,875	26.5%
WWB Investments Pty Ltd	28,435,640	7.3%
BCI Minerals Limited	10,000,090	2.6%
Element Au Smsf Pty Ltd	6,102,095	1.6%
Former Independent Non Executive Chairman	3,860,752	1.0%
Top five shareholders total	**152,437,452**	**38.9%**
Total remaining shares	296,672,422	61.1%
Total shares	**449,109,874**	**100.0%**

Source: S&P Global

Share price and market analysis

6.54 Our analysis of the daily movements in the HRL Share trading price and volume for the period from August 2022 to January 2025 is set out below.

Figure 36 - Historical HRL Share price and volume for Highfield



Source: S&P Global, GTCF analysis.

6.55 The following table describes the key events which may have impacted the trading prices of HRL Shares and volume movements recently as shown above.

Event	Date	Comments
1	12-Sep-22	Highfield released a Muga Project construction update, announcing that preliminary works which commenced in late June 2022 around the mine gate have progressed ahead of schedule and are within the planned budget. Key items include the completion of the staff facilities, site fencing and stream protection, as well as construction of the box cut, slope, and mine-gate.

2	24-Oct-22	Highfield announces that it has received credit approval from BNP Paribas S.A., ING Bank N.V., Natixis CIB and Societe Generale for €320.6 million Senior Secured Project Financing for Muga Project Development. The Senior facilities comprise two financing arrangement, a Senior Debt Facility of €300 million and a cost overrun debt facility of €20.6 million. The term of the Senior Debt Facility has a term of ten years and the Cost Overrun Debt facility has a term of five years.
3	03-Nov-22	Highfield resources released an update Muga feasibility study, announcing the following: NPV of €1.82 billion and 21% IRR Sensitivity analysis using current flat real spot prices for the whole life of mine resulting in a post-tax NPV of €3.1 billion and a 42% IRR. At full production and EBITDA of around €410 million per annum Economics resulting in a 30-year mine life Updated capex of €662 (€436 million for phase 1 and €226 million for phase 2)
4	14-Nov-22	Highfield announces that the Muga Potash Mine has received from the Government of Navarra the "authorisation to build on non-urbanised land" the process plant of the Muga Project. The authorisation follows the granting of the construction licence for the mine-gate and declines and the licence for the construction of the electricity line from the main network to the Muga Project.
5	12-Dec-22	The Company announces that it has successfully raised A$13 million via institutional placement at an issue price of A$0.62 per HRL Share to fund continued progress at the Muga Project. The company announced that proceeds of the offer will primarily be used to fund continued early work construction activities at the Muga Project, finalised debt funding arrangements and put the Company in a strong position to progress negotiations with strategic investors.
6	23-Dec-22	Highfield announces they have signed a principal credit facility in relation to its previously announced senior secured project financing facilities.
7	29-Mar-23	The Company announces the remaining licence for the construction of the Muga Potash Mine's Process Plan has been granted by the local authority – the Townhall of Sanguesa in Navarra. The Company now has the required permits to begin the full-scale construction of Muga-comprising the civil works, the process plant and the ramps.
8	31-Mar-23	The company released its FY22 annual report, announcing the following: The Russian invasion of Ukraine has created a strong tailwind for the potash sector and increased the strategic value in potash assets with security of supply located in politically stable jurisdictions. The dramatic shift in regional supply has been much in the Company's favour and has accompanied a groundswell of support for the Project from a board spectrum of stakeholders and regional and national governments in Spain. All remaining key process plant and equipment purchase contracts have been signed with its suppliers and the company received equipment engineering drawings that allowed for further finetuning and optimisation of the detailed engineering of the processing plant at Muga. The Mine-gate is ready to commence the excavation of the ramps. The Company has signed a non-binding indicative term sheet for €23.3 million for an equipment operating lease facility with Macquarie group for the Muga Potash Mine. The Company has also successfully raised A$13 million via an institutional placement.
9	17-Apr-23	The Company announced that HSBC Continental Europe and Caja Rural de Bavarra have signed definitive documentation to join the previously announced €320.6 million senior secured project financing package for the development of the Company's flagship Project, the Muga Project.
10	23-May-23	The Company announced it had secured a key strategic investment from funds managed by EMR Capital Management Limited and funds managed by Tectonic Investment Management and related parties. The investment is in the form of convertible notes, resulting in a cash injection of approximately A$25 million. The Company announced the funds will be used to meet costs including: Pre-construction costs such as long lead-time items, land acquisitions, technical studies, construction taxes and preparation of construction Project finance fees, transaction and due diligence costs for deals with potential strategic investors; and Corporate G&A / working capital costs of the company.

11	27-Jun-23	Highfield announced it has successfully secured access to all the land necessary to build the Muga Potash Mine, in addition to the land the Company had previously contracted privately. Highfield has now secured all remaining land through the standard Navarran expropriation process for projects of public interest. The payment of €1.1 million deposit was the final requirement to allow for immediate access to and use of the lands included in the expropriation process.
12	12-Sept-23	The company released their half yearly report for FY23 announcing the following: Loss before income tax of A$3.1 million Cash and cash equivalents of $A21.8 million The Company appointed Mr Carles Aleman, former senior executive at ICL Iberia, as Head of Plant Construction & HSE for Muga. The Company commenced minor works such as earth worming and fencing
13	1-Nov-23	Highfield announced it had signed a binding take-or-pay offtake with Padira Premium S.L.U/Maxisalt for up to 75kt per annum, of high-grade vacuum salt per annum, representing 20-30% of the expected annual vacuum salt production in Phase 1 of the Project. The contract is for the first 5 years of production of high-grade salt at the Muga Project.
14	8-Nov-23	Highfield released a 2023 update to the Muga Project Feasibility study, announcing the following: NPV of €1.82 billion and 24% IRR (post-tax) EBITDA of approximately €340 million per annum at full production 30 year Life of Mine with planned production over 2 phases to produce up to 1 Mpta of Muriate of Potash Pre-production construction capital requirement of €449 million for Phase 1 and €286 million for Phase2, including 10% contingency. C1 cash cost estimate of €108/t post salt product revenue
15	22-Dec-23	The Company announced it had secured a US$6 million investment from existing strategic shareholders funds managed by EMR Capital Management Limited, Tectonic Investment Management, and from another institutional investor. The investment will be in the form of convertible notes.
16	12-Mar-24	The company announced it had signed a contract for the declines and underground mining infrastructure with the Portuguese/Spanish joint venture, EPOS_TUNELAN. The contract value is aligned to the estimated construction cost of the decline included in the 2023 Updated Muga Feasibility Study. The value of the decline contract is €48 million which represents 11% of the phase 1 capex of €449 million.
17	27-Mar-24	Highfield released its Annual Report for FY23, announcing the following: The Muga Project has been significantly de-risked from the permitting angle with all the relevant licenses, authorizations, and permits having been obtained. Net loss for FY23 of A$12.1 million Cash and cash equivalents of A$14.1 million. The company continues to engage with the three nearby ports it has previously signed MOUs with – Pasajes and Bilbao (North of Spain) and Bayonne (South of France)
18	30-Apr-24	The Company announced it had signed a contract with Acciona Construccion S.A. for the Muga Project's Civil Works. The contract value is a lump sum contract with a value of €56.9 million which is in line with the estimated cost included in the 2023 updated Muga Feasibility Study. The contract accounts for a third of the construction budget. After signing with Acciona, Muga is ready to start building upon completion of funding.
19	19-Jul-24	Highfield announced it has 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 (US$220 million of equity capital) for Phase 1 of the Muga potash project. The proposed cooperation would also entail the inter-conditional acquisition from Yankuang Energy of the Southey potash project in Saskatchewan, Canada by way of direct or indirect acquisition of 100% of the shares in Yancoal Canada. Highfield announced the key highlights of the proposed transaction as: Muga is expected to be fully funded from completion of the proposed transaction.

		Establishing a pure play potash company with a diversified portfolio of projects in tier-1 jurisdictions. Expected combined production capacity of 3.8Mtpa (assuming completion of the Proposed Transaction).
20	23-Jul-24	Highfield released a retraction statement in relation to the announcement in relation to the Southey project, specifically the mine life and planned annual production capacity. The Company emphasised that investors should not place reliance on these statements, as results cannot currently be reported under the JORC (2012) Code.
21	9-Sep-24	The Company released its Half Yearly accounts for FY24, announcing the following: A net loss for the half year ended 30 June 2024 of $6.2 million. The company has worked closely with the Mine Departments of Navarra and Aragon and the Townhalls of Sanguesa and Undues de Lerda to maintain the good standing of permits until full construction starts. Value of construction contracts awarded, align with estimates in the updated Muga Feasibility Study of 7 November 2023. Cash and cash equivalents of A$10.2 million for half year ended 30 June 2024.
22	24-Sep-24	Highfield announced that it had entered into binding agreements with Yankuang Energy Group Co., Ltd and a number of strategic investors including Beijing Energy International Holding Co., Ltd and Singapore Taizhong Global Development Pte. Ltd. In relation to a transaction to transform Highfield into a 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 and the inter-conditional acquisition from Yankuang Energy and the Strategic investors and the inter-conditional acquisition from Yankuang Energy of the Southey potash project in Saskatchewan, Canada by way of the direct or indirect acquisition of 100% of the shares in Yancoal Canada Resources.
23	26-Sep-24	Highfield announced the completion of the unconditional component of its institutional placement of new fully paid ordinary shares in Highfield. The unconditional component of the Placement raised US$6 million (equivalent to A$8.9 million) (with the US$5.0 million) (equivalent to A$7.5 million) committed by the EMR Subscriber being subject to shareholder approval).
24	17-Oct-24	Highfield confirmed the completion of its share purchase plan together with the completion of the issuance of a further US$4.0 million (equivalent to c. A$6.0 million) worth of new ordinary shares in the Company at an offer price of A$0.2989, under the conditional component of its institutional placement.
25	28-Oct-24	Highfield released an update in relation to the Goyo mining concession, stating that the court identified a procedural flaw in the internal administrative coordination process in relation to the granting of the mining concession. The company received confirmation from the Navarra Government that it is analysing the ruling in order to resolve the situation and correct the procedural flaw rapidly. The company confirmed that the Navarra Government has not relinquished the Goyo mining concession.
26	30-Dec-24	Highfield provided an update on the issue of new ordinary shares in Highfield as contemplated by Resolution 2 to be put to Highfield shareholders at the Company's extraordinary general meeting to be held on 30 December 2024. The company announced it had requested a waiver to obtain approval for the Yankuang Resolution by the EMR Nominee. The Company secured from EMR Capital an irrevocable offer to subscribe for ordinary shares in Highfield.
27	14-Jan-25	Highfield announced that it received a statement of no objection from Australia's Foreign Investment Review Board in relation to Yankuang Energy's proposed subscription for up to US$376 million worth of ordinary shares in Highfield at A$0.50 per share.
28	17-Jan-24	Highfield announced that it could proceed with the issuance of 24,967,169 new ordinary shares for US$5.0 million, in Company to Meritz as the issuance of such shares to Meritz was approved by the Company's shareholders at the Company's extraordinary general meeting held on the 30 December 2024.

Source: Highfield ASX announcements, GTCF analysis.

6.56 The monthly HRL Share price performance of Highfield since January 2024 is summarised below:

Figure 37 - Month and week ended HRL Share price performance

Highfield Resources Limited	HRL Share Price			Average
	High	Low	Close	weekly volume
	$	$	$	000'
Month ended				
Jan 2024	0.450	0.300	0.300	848
Feb 2024	0.385	0.285	0.370	983
Mar 2024	0.460	0.340	0.425	1,316
Apr 2024	0.430	0.275	0.305	1,612
May 2024	0.365	0.290	0.355	887
Jun 2024	0.360	0.275	0.275	947
Jul 2024	0.340	0.255	0.320	781
Aug 2024	0.340	0.290	0.310	345
Sep 2024	0.340	0.275	0.330	580
Oct 2024	0.330	0.235	0.280	2,781
Nov 2024	0.290	0.245	0.275	1,290
Dec 2024	0.280	0.225	0.235	751
Week ended				
27 Sep 2024	0.340	0.280	0.330	1,055
4 Oct 2024	0.330	0.290	0.290	1,141
11 Oct 2024	0.320	0.290	0.295	1,495
18 Oct 2024	0.300	0.275	0.275	2,293
25 Oct 2024	0.290	0.245	0.260	1,390
1 Nov 2024	0.280	0.235	0.250	6,684
8 Nov 2024	0.280	0.250	0.250	3,354
15 Nov 2024	0.265	0.245	0.255	422
22 Nov 2024	0.290	0.255	0.280	943
29 Nov 2024	0.290	0.270	0.275	692
6 Dec 2024	0.280	0.235	0.245	2,029
13 Dec 2024	0.255	0.235	0.240	347
20 Dec 2024	0.255	0.230	0.240	249
27 Dec 2024	0.250	0.225	0.240	425
3 Jan 2025	0.250	0.240	0.245	106
10 Jan 2025	0.250	0.235	0.250	374

Source: S&P Global, GTCF analysis
Note: The share price analysis is based on 17 January 2025.

7. Profile of Yancoal Canada

Introduction

7.1 Yancoal Canada is a Saskatchewan based potash exploration and development company established in 2011 and a wholly owned subsidiary of Yankuang Energy. Yancoal Canada holds a 100% interest in the mineral tenures of the Southey Project, the proposed greenfield solution potash mine located approximately 60km north of Regina, Saskatchewan.

The Southey Project

7.2 The Southey Project has been the subject of significant investment by Yancoal Canada, including a feasibility study completed in 2016. Yancoal Canada has exclusive rights to extract subsurface minerals and conduct further exploration activities in relation to the Southey mineral permits. A re-estimation of the capital and operating costs, as well as confirmation of the feasibility assumptions related to Southey Project was completed in 2024 by Wood PLC as part of the due diligence for the Transaction on behalf of HRL.

7.3 Southey holds Subsurface Mineral permits (KP377 and KP392) which cover an area of 390 km². It is intended that Southey will be a solution mining[34] potash project with a projected production capacity of 2.8 Mtpa.

7.4 The intention will be to develop the Southey Project in two phases. Phase 1 will include the development of the necessary surface infrastructure to support the future operations and commence the mining and processing operations, which would produce approximately 2.0 Mtpa of MOP. In Phase 2, the secondary mining will be implemented, and the production is expected to increase to 2.8 Mtpa of MOP.

Ore Reserves and Mineral Resources

7.5 The Southey Mineral Resources were previously estimated in 2016 as part of the feasibility study. In conjunction with the preparation of this IER, SLR have been engaged by the Company to prepare an independent competent person sign-off for the 2024 estimate of the Southey Mineral Resources, in accordance with the guidelines of the JORC Code.

7.6 Below we provide an overview of total Ore Reserves and Mineral Resources estimates for the Southey Project assessed by SLR.

[34] A proven technology involving both injection and extraction wells to target ore body.

Figure 38 - Southey Project Ore Reserves and Mineral Resources

Southey Project Reserves and Resources Summary	Million Tonnes	Grade % K20	K20 (Mt)	KCl (Mt)
Southey Project Ore Reserves Summary				
Proven	na	na	na	na
Probable	753	20.6%	118	186
Total Proved & Probable	**753**	**20.6%**	**118**	**186**
Southey Project Mineral Resources				
Measured	na	na	na	na
Indicated	1,861	19.5%	364	575
Total Measured & Indicated	**1,861**	**19.5%**	**364**	**575**
Inferred	3,359	18.7%	627	992
Total Mineral Resources	**5,220**	**19.0%**	**991**	**1,567**

Source: SLR Report.
Notes: (1) The Ore Reserves are based upon the conversion of Measured and Indicated Mineral Resources to Probable Ore Reserves. No inferred Mineral Resources were converted to Ore Reserves. Please refer to the SLR Report for further detail. (2) SLR used the Mineral Resource estimate from the 2016 feasibility study as the basis of their review. They then updated the resource by subtracting the contained K2O and tonnage based on the thickness and grade of the potash intercepts, from the affected area. Please refer to the SLR Report for further detail.

Mining and processing

7.7 The Southey Project will employ primary and secondary solution mining techniques, the primary mining involves the injection of hot water into sylvinite beds to dissolve the potash after which the brine solution is extracted and transported by pipeline to the process plant. The secondary mining technique involves the injection of sodium chloride (NaCl) rich brine into the cavern created during primary mining to selectively dissolve additional potash from the material left in the cavern.

7.8 The feasibility study assumed primary mining will produce 71.4% and secondary mining will produce 28.6% of the total KCl tonnes. Primary production is expected to have a normalised mining target of 2.0 Mtpa of potash product. Following secondary mining, overall production is expected to increase to 2.8 Mtpa of potash product.

7.9 Salt tailing will be generated as a waste product of the solution mining process. Based on the production rate of 2.8 Mtpa muriate of potash, salt tailings are expected to be generated at a rate of 3.24 Mtpa over the life of the Southey project, which would result in the total production of 323 Mt of salt tailings. Site characterisation studies will be designed to support the design of the waste salt pile and containment system.

7.10 In support of the project, Yancoal acquired approximately 1,108 hectares of freehold land for the core facilities area for the first phase of surface infrastructure, however additional land will need to be accessed as mining progresses.

Construction and supporting infrastructure

7.11 There is already some infrastructure in place within the region, with an existing network of municipal grid roads, provincial highways, and rail lines which provides access to Southey within the region. Supporting infrastructure for Southey also includes a water supply, electrical power and natural gas. However, current infrastructure is only expected to be adequate to support early construction activities and significant upfront capex will be required to enable production and connect core facilities to nearby highways and a

rail spur to Canadian National or Canadian Pacific Railway lines. New terminal infrastructure and associated upgrades to existing structures will also be required to support shipment of potash at the rate of 2.8 Mtpa.

7.12 The initial and updated capital and operating costs for the Southey Project based on the 2016 feasibility study and the Technical Review, completed by Wood PC in July 2024 has been reviewed by SLR.

7.13 The updated capital cost estimate is estimated to be C$5,463 million, comprising C$3,860 million of direct costs, C$890 million of indirect costs and a contingency allowance of C$713 million. The estimate is classified as Association for the Advancement of Cost Engineering class 3 with an expected accuracy of -10% to +15%. The updated capital cost estimate represents an increase of 47% on direct field costs since 2016.

7.14 Sustaining capital costs were estimated in the 2016 Feasibility Study as the cost associated with continuous expansion and improvement, separated into three categories, which include wellfield expenses, processing plant and site expenses and reclamation expenses. Sustaining capital within the Feasibility Study was estimated at C$4.2 billion, based on the increase of direct field costs, SLR has similarly applied a 47% increase to update the sustaining cost estimate to C$6.2 billion.

7.15 The updated annual operating cost estimate in full operation and including the carbon tax is C$519.8 million per year or C$185.65/t of product. With the carbon tax, the estimated operating costs increased by 65.5% from the 2016 Feasibility Study estimate. There is the potential for annual operating costs to decrease if there is a change in the federal government which could result in a reduction or abolishment of the carbon tax. The complete removal of the carbon tax would reduce the operating costs in full operation to C$375 million per year or C$133.9/t of product.

7.16 Whilst capex estimates have been reviewed by multiple parties, uncertainty and risks remain that the costs may continue to increase, especially given that the Southey Project is currently still within the feasibility stage and full-scale construction is yet to commence, with extensive time lag before development due to management's focus on the Muga Project. Forecast capital and operating costs may require revision and may increase depending on the project execution strategy, planned early works, required seasonal works, annual escalation depending upon the state of the drilling industry, and the project execution schedule

Statement of financial performance of Yancoal Canada

7.17 The table below illustrates Yancoal Canada consolidated statements of financial position as at 31 December 2024.

Figure 39 - Yancoal Canada Consolidated Statement of Financial Performance

Consolidated Statement of Financial Performance	CY23	CY24
C$	Unaudited	Unaudited
Revenue		
Interest revenue	346,155	1,614,831
Total revenue	346,155	1,614,831
Expenses		
Wages & salaries	1,180,461	1,168,004
Other payroll expenses	-	28,977
Accounting & legal	159,231	788,486
Tech. Development & consultation	20,571	610,359
Business fees and licenses	-	420
Currency exchange & rounding	(2,657,104)	(176)
Insurance	33,362	28,846
Interest and bank charges	6,107,491	5,699,084
Property taxes	27,068	27,273
Rent	336,831	133,971
Repair & maintenance	2,343	10,042
Labor supplies	-	1,712
Other expenses	257,143	302,625
Total Expenses	**5,467,397**	**8,799,624**
Net Income	**(5,121,242)**	**(7,184,793)**

Source: Management

7.18 Yancoal Canada's financial performance reflects the early-stage exploration and development of the underlying assets with only interest revenue being generated in CY24. With the Southey Project still being within the feasibility stage, costs for the company mainly relate to wages and salaries, interest on bank charges and accounting and legal expenses.

7.19 Other expenses relate to general and administrative expenses, consisting primarily of travel and entertainment expenses.

Statement of financial position of Yancoal Canada

Figure 40 - Yancoal Canada Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	31/12/2023	31/12/2024
C$	Unaudited	Unaudited
Current Assets		
Cash	3,508,015	19,275,790
Purchase prepayments	-	75,572
Investments	17,415,022	-
Total Current Assets	20,923,037	19,351,362
Non-Current Assets		
Potash lease		13,955,016
Freehold mineral lease		33,458
Option for land purchase		16,425,840
Water security		543,831
Port		6,066,185
Annual Rental		1,996,489
Minimum expenditure		3,119,145
Engineering		16,646,933
Exploration Permit	351,354,119	268,138,000
Environmental Assessment		7,824,611
AUC-Cost		33,154,273
Total Non-Current Assets	**351,354,119**	**367,903,782**
Total Assets	**372,277,156**	**387,255,144**
Current Liabilities		
Accounts payable	829,704	173,088
Reclamation provision	192,536	-
Vacation payable		49,983
Interest payable		37,569,372
Employee Ins. Deduction Payab;e		-
Group PRSP Deduction Payable		-
GST owing (refund)		(12,340)
Loans from shareholders	108,968,127	-
Total current liabilities	**109,990,367**	**37,780,103**
Non-current liabilities		
Loans from shareholders	30,750,450	118,506,533
Total Non-Current Liabilities	**30,750,450**	**118,506,533**
Total Liabilities	**140,740,817**	**156,286,636**
Net Assets	**231,536,339**	**230,968,508**

Source: Management

7.20 Yancoal Canada assets relate primarily to cash of c. C$19.3 million and exploration permits of c. C$268.1 million as at 31 December 2024 for the exploration work related to KP377 and KP392.

7.21 Investments of c. C$17.4 million as at 31 December 2023 consisted of guaranteed investment certificates bearing interest at 6.0%, which matured on 28 February 2024 and 8 March 2024.

7.22 Engineering assets of c. C$16.6 million, potash leases of c. C$14.0 million and options for land purchase of c. C$16.6 million as at 31 December 2024 related to the acquisition of land required for the full mine surface infrastructure area for the Southey Project, represent other major assets for Yancoal Canada. Yancoal Canada has secured the land for the first phase of surface infrastructure, however, additional expenditure will be required for the purchase of land for the second phase of the Southey Project as mining progresses. Engineering related to the underlying assets of Yancoal Canada.

7.23 The reclamation provision of c. C$0.19 million as at 31 December 2023 related to the future undiscounted liability to reclaim exploration property. At the time the company expected to restore all drill sites.

7.24 Loans from shareholders of c. C$118.5 million as at 31 December 2024 are subject to an interest rate of 4.75% per annum. The purchase price for the acquisition of Southey will be adjusted upwards for any interest which accrues (but has not been paid) between 30 April 2024 and completion of the Southey Acquisition on existing shareholder loans to Yancoal Canada.

7.25 Upon completion of the transaction, Yankuang Energy has the option to either capitalise Yancoal Canada's shareholder loan or retain it on the balance sheet of Yancoal Canada. If retained, Yankuang Energy must also transfer the right to the repayment of the shareholder loan to HRL, such that it will be eliminated on consolidation. In both scenarios, HRL is effectively acquiring Yancoal Canada without the shareholder's loan liability.

7.26 It is the intention of Management to settle the accrued interest on Yancoal Canada's shareholder loan at completion estimated at approximately US$3.6 million (equivalent to A$5.7 million) via the issuance of new HRL Share at A$0.50 per HRL Share. Accordingly, the equivalent amount of cash will be on balance sheet of Yancoal Canada at completion of the Transaction.

8. Profile of the HRL Group on Completion of the Transaction

Overview

8.1 The Muga Project is fully funded, with all required permitting and construction ready, whereas the Southey Project is at an earlier stage of development, with a feasibility study performed in 2016 with an approved environmental assessment completed.

8.2 Post Transaction completion, it is expected that the HRL Group will continue to prioritise the development of the Muga Project. Once Highfield have managed to scale operations at the Muga Project, with steady production and cash flows being achieved from the Muga Project, it is understood Management will then transition focus towards the development of the Southey Project. This is not expected to occur for at least another 3-5 years.

8.3 The HRL Board will reconstitute with the appointment of Yankuang Energy nominee directors so that the Yankuang Energy nominated directors comprise a majority of the HRL Board, and the appointment of a Beijing Energy Director.

8.4 It is understood from HRL Management that no synergies are expected to be realised from the Southey Acquisition and corporate costs of HRL Group are expected to increase by between C$2.5 million and C$3.0 million.

Pro-forma financial position

8.5 Below is the pro-forma statement of financial position for the HRL Group as at completion of the Transaction.

Figure 41 - Merged Group Consolidated Statement of Financial Position

Merged Group Consolidated Statement of Financial Position A$	Pro Forma Unaudited
Assets	
Current assets	
Cash and cash equivalents	350,910,485
Other receivables	39,120,295
Total current assets	**390,030,780**
Non-current assets	
Other receivables	1,311,542
Property, plant and equipment	13,579,883
E&E - Southey	389,357,402
E&E - Muga	155,102,390
Total non-current assets	**559,351,217**
Total assets	**949,381,997**
Liabilities	
Current liabilities	
Trade and other payables	10,964,099
Land expropiation accrual	5,874,469
Total current liabilities	**16,838,568**
Non-current liabilities	
Other non-current liabilities	3,787,536
Total non-current liabilities	**3,787,536**
Total Liabilities	**20,626,104**
Net Assets	**928,755,894**

Source: Management

Capital structure

8.6 We have set out below the capital structure of the HRL Group post completion of the Transaction.

Figure 42 - HRL Group capital structure movements

Capital structure of HRL	
Before the Transaction	
HRL Shares issued as at 31 December 2024	449,109,874
Add: HRL Shares issued as part of the Conditional Placement	24,967,169
HRL Shares after the Short Term Funding (undiluted)	**474,077,043**
Add: HRL Shares to be issued upon exercise of the convertible notes	154,487,158
HRL Shares after the Short Term Funding (diluted)	**628,564,201**
After the Transaction	
HRL Shares after the Short Term Funding (undiluted)	474,077,043
Add: HRL Shares to be issued for the Cornerstone Placement	687,500,000
Add: HRI Shares to be issued for the Southey Acquisition	895,078,172
Add: HRL Shares to be issued to settle accrued interest on Yancoal Canada shareholder loan	11,319,974
HFR Shares after the Transcation (undiluted)	**2,067,975,189**
Add: HFR Shares to be issued upon exercise of the convertible notes	154,487,158
HFR Shares after the Transcation (diluted)	**2,222,462,347**

Sources: GTCF, Management.

9. Valuation methodologies

Introduction

9.1 Grant Thornton Corporate Finance has assessed the value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

9.2 Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

9.3 We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

Valuation methodologies

9.4 RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets.
- Application of earnings multiples and or capitalisation rates to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Comparable market transactions, considering multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

9.5 Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

9.6 RG111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

Selected valuation methodologies

9.7 In order to support our assessment of the fair value of Highfield, Grant Thornton Corporate Finance has relied on the valuation methodologies as outlined below.

- DCF Approach – Utilising the LOM cash flows included in the Financial Model of the Muga Project for Highfield (which reflect the recent DFS completed in November 2023 and subsequently updated), with the reasonableness of the technical assumptions reviewed by SLR. The DCF methodology is based on the net present value of the future ungeared cash flows which are expressed in real terms using a real WACC to take into account the time value of money and risks associated with the cash flows. The DCF methodology is particularly appropriate for valuing mining and resource based assets with depleting ore reserves, varying production levels and capital requirements. The mineral resources outside the LOM and the early stage exploration assets have been separately valued by SLR. For the purposes of this IER, Grant Thornton Corporate Finance has engaged SLR to prepare a valuation of the mineral assets of Highfield which was completed in accordance with the VALMIN Code. A copy of the SLR Report is included as Appendix F.

- Market Approach (cross-check) – We have undertaken an analysis of the Reserve and Resource Multiples implied in our valuation assessment with the Comparable Listed Companies. The Comparable Listed Companies include both potash companies with historical production profiles and exploration/development potash projects. However based on the limited comparability, we have not placed reliance on this cross-check.

- Quoted Security Pricing Method (cross-check) – We have also made some observations of our valuation assessment compared with the trading prices. The Efficient Market Hypothesis assumes that the trading prices of HRL Shares at any point in time reflects all publicly available information and will change when new information becomes publicly available.

9.8 The valuation of the Southey Project has been undertaken by SLR based on the Resource Multiple approach. Whilst a feasibility study was completed for the Southey Project in 2016, based on our review of the information available and discussions with SLR, we do not believe a valuation assessment based on the DCF Approach is suitable due to the following:

- The feasibility study was completed in 2016 and whilst some of the key assumptions have been updated and refreshed as part of the technical due diligence undertaken by HRL and reviewed by SLR, the feasibility study is still dated 2016.

- Yancoal Canada have not developed the Southey Project since completion of its feasibility study in 2016 and it is Management's intention to focus in the medium term on the development of the Muga Project as HRL does not have the capital and human resources to develop both project in parallel or at similar times. Given the dated feasibility studies and the long pre-production period, predicting future revenues, operating expenses and capital expenditures become increasingly challenging and this uncertainty can lead to significant inaccuracies in the valuation. We are of the opinion that it may be difficult for the DCF Approach to be based on reasonable assumptions.

- SLR have estimated the pre-production capital expenditure for the development of the Southey Project at approximately C$5.46 billion and the valuation under the DCF Approach will need to take into account the dilution for the existing HRL Shareholders of this funding. Based on the current market capitalisation of HRL and the project finance debt to be drawn down upon commencement of

construction of the Muga Project, it makes it challenging from a valuation perspective to attempt to estimate the funding structure of the project and the proportion that would be retained by HRL Shareholders.

10. Economic Assumptions

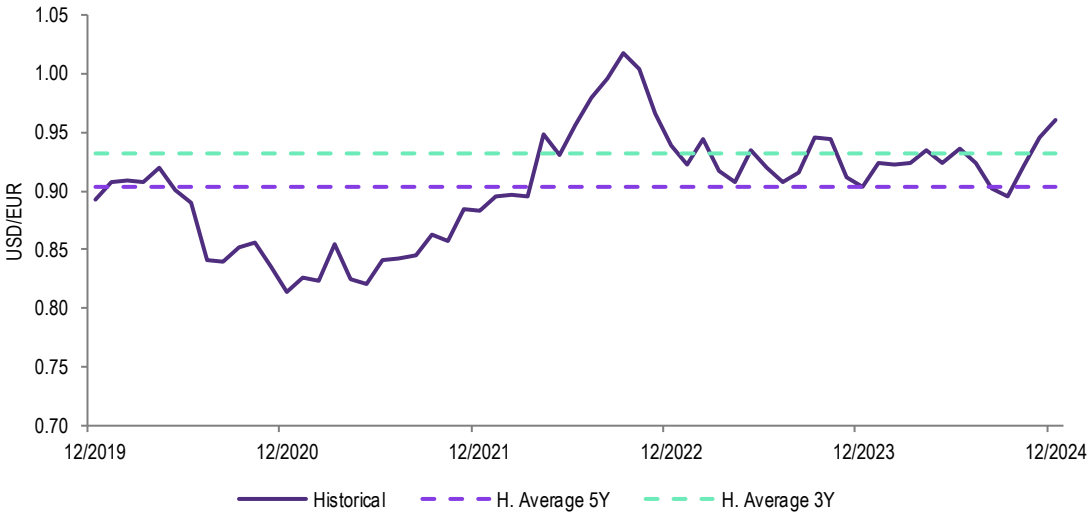
10.1 We have discussed in this section of the report the macro-economic assumptions, being exchange rates commodity prices and inflation, adopted across the valuation assessment of Highfield.

Exchange rate

USD:EUR exchange rate

10.2 The Financial Model is prepared in EUR, whilst potash prices are traded in US$. Accordingly, we have estimated the appropriate US$ to EUR conversion rate for Highfield to apply to the forecast potash prices over the LOM. In forming our opinion on the USD:EUR exchange rate, we have first considered the historical averages and trend of the USD:EUR exchange rate over the last five years which is set out in the graph below.

Figure 43 - Historical USD:EUR exchange rate



Source: GTCF analysis, RBA.

10.3 Based on the above, the historical USD:EUR exchange rate has traded in a narrow band between 0.90 and 0.96 since the first quarter of 2023 which is also not inconsistent with the average exchange rate over the last three and five year periods.

10.4 We have also considered expectations about future nominal exchange rate which are presented in the table below.

Figure 44 - Nominal forecast USD/EUR exchange rate

USD/EUR Nominal	Report Date	CY25	CY26	CY27+
Westpac	16-Dec-24	0.93	0.90	
NAB	19-Nov-24	0.95	0.90	
RBC	Dec-24	0.95		
ING	5-Dec-24	0.97	0.95	
Citi	23-Dec-24	0.95		0.93
Median		**0.95**	**0.90**	**0.93**
Average		**0.95**	**0.92**	**0.93**

Source: GTCF analysis.

10.5 Having regard to the above, we have selected a nominal USD/EUR Exchange Rate of 0.90, in line with the five-year average and we have sensitised +/- 2.5% in our valuation assessment.

10.6 Given the Financial Model is in real terms, we have considered whether we need to adjust the selected nominal USD/EUR Exchange Rate for relative inflation between the two currencies based on the Purchasing Power Parity theory[35].

- US inflation - As of the latest data, the annual inflation rate in the United States was 2.7% for the twelve-months ending in November 2024, up from 2.6% in October. The Federal Reserve targets an inflation rate of 2.0% over the long term.

- Euro inflation - As of the latest data, the annual inflation rate in the Eurozone was 2.4% for the twelve-months ending in December 2024, up from 2.2% in November 2024. The European Central Bank targets an inflation rate of 2.0% over the longer term.

10.7 Based on the above, we have assumed that both the US and Eurozone inflation will closely align in the short term with both central banks' target rate of 2% and accordingly we have not made any adjustment to the exchange rate for the PPP.

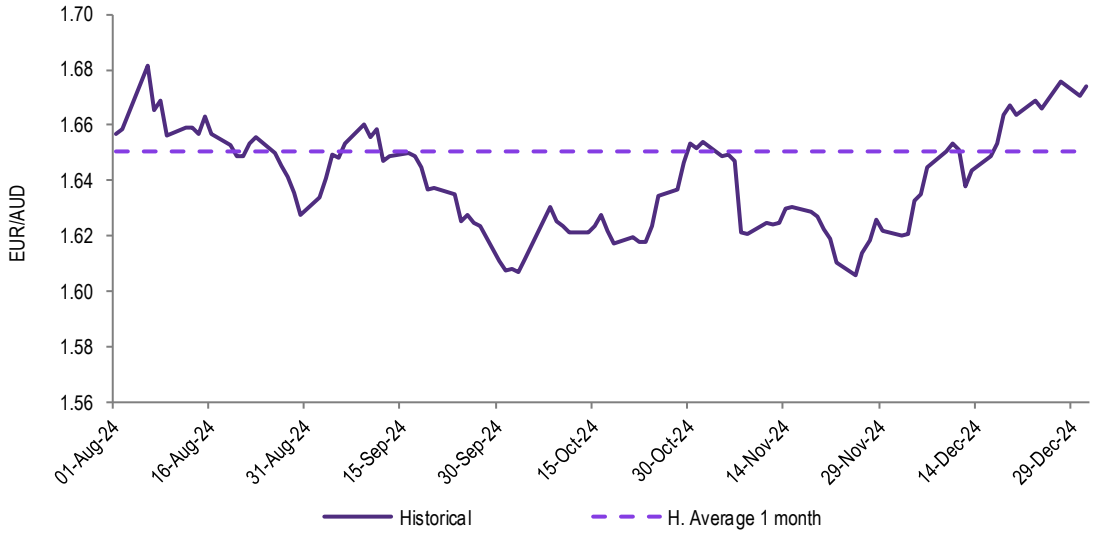
EUR:AUD exchange rate

10.8 Our valuation assessment of the Muga Project based on the DCF is undertaken in EUR and then the estimated value is converted into AUD at the valuation date in order to compare with the trading prices of HRL, the Cornerstone Placement issue price and considering that AUD is the reporting currency of the Company. Differently from the USD:EUR exchange rate, which reflects long term expectation as it is applied to the LOM forecast potash prices, the EUR:AUD exchange rate should be estimated based on spot prices at the valuation date.

35 Purchasing power parities (PPPs) are the rates of currency conversion that try to equalise the purchasing power of different currencies, by eliminating the differences in price levels (differences in inflation) between countries.

10.9 We have set out in the graph below the exchange rate movement over the last three months.

Figure 36 - Historical EUR:AUD exchange rate



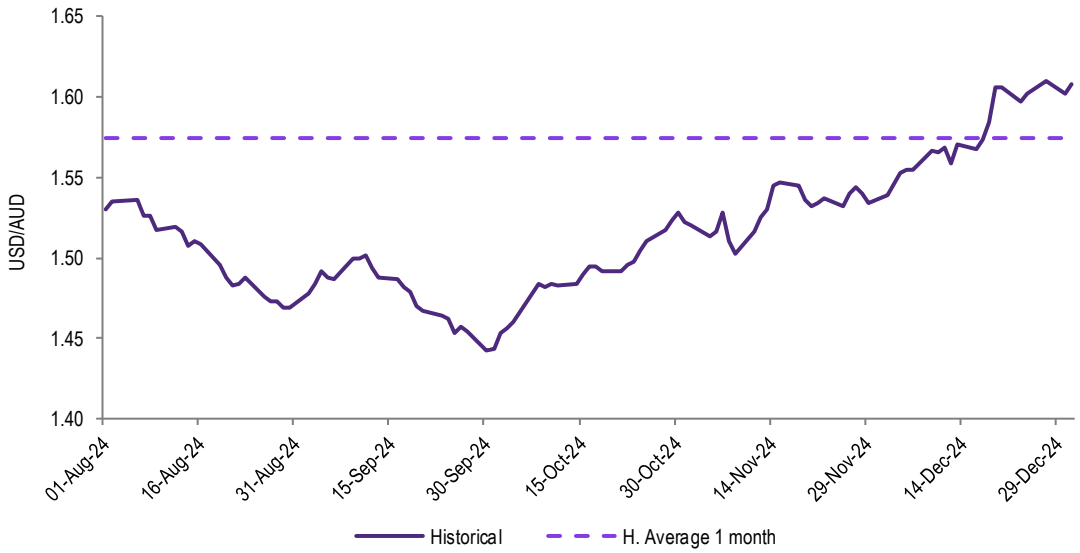
Source: GTCF analysis, RBA.

10.10 Based on the above, we have adopted a EUR:AUD exchange rate of 1.65 based on the average of the last 30 days.

USD:AUD Exchange rate

10.11 The Transaction includes capital raised in US$ and hence we have estimated an appropriate USD:AUD exchange rate based on recent prices. We have set out in the graph below the exchange rate movement over the last three months.

Figure 45 - Historical USD:AUD exchange rate



Source: GTCF Analysis, RBA.

10.12 Based on the above, we have adopted a USD:AUD exchange rate of 1.57 based on the average in the last 30 days.

Pricing assumptions

10.13 For the purpose of forming a view on the appropriate potash and salt prices to use for the valuation, Grant Thornton Corporate Finance has had regard to both historical and forecast prices prepared by specialist provider commissioned by the Company, various brokers and other publicly available information.

10.14 Given the volatility in global markets and macro-economic uncertainties, the current levels of potash and salt prices relative to historical long term prices, and the widely varying views of industry analysts, assumptions regarding future potash and salt prices are inherently subject to considerable uncertainty. It should be noted that the value of the mineral assets could vary materially based on changes in potash and salt price expectations. The assumptions in relation to the potash and salt prices adopted by Grant Thornton Corporate Finance do not represent forecasts by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar assets and companies.

Potash prices

10.15 Based on the 2023 updated DFS, GMOP from the Muga Project is expected to be sold in Spain (50%), Europe (25%) and Brazil (25%). SMOP is expected to all be sold in Spain. For the purpose of our valuation, we have forecast GMOP prices for Spain, Europe and Brazil and calculated SMOP prices for Europe based on the historical GMOP Europe premium to SMOP Europe prices.

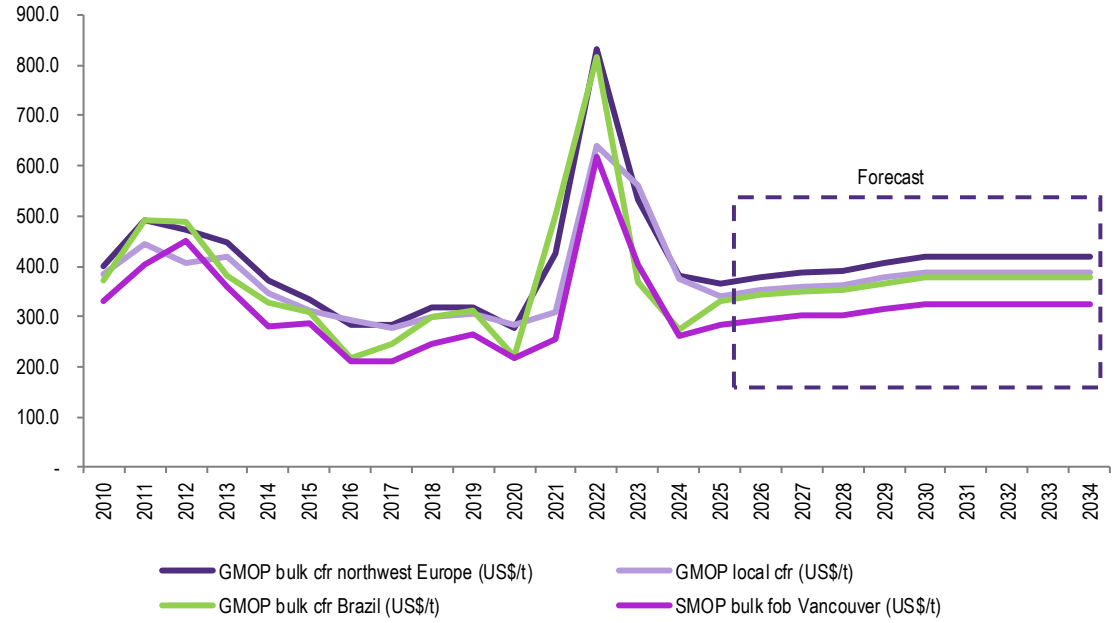
10.16 For the purposes of our valuation of Southey, which is located within Saskatchewan, Canada, we have forecast GMOP prices for Vancouver and calculated SMOP prices for Vancouver based on the historical GMOP Vancouver premium to SMOP Vancouver prices.

10.17 In our assessment of these forecast potash prices, we note that there was limited publicly available forecast information, especially for long-term forecasts, and as a result our primary approach has been to rely on the prices provided by Management which were commissioned from CRU, a reputable third-party forecast price specialist. SLR has also recommended this approach, with industry standard being to rely on marketing specialists, generally commissioned by the company, due to the difficulties in obtaining forecast potash prices.

10.18 As discussed in Section 5 and shown in the chart below, potash prices have historically been strongly correlated to changes in crop prices in percentage terms. Accordingly, as a cross-check approach we have considered the relative price differentials between crop prices and potash prices over a historical period (2014-2024). We have then subsequently applied the multiplier based on historical relativity to forecast prices of agricultural crops including corn, wheat and soybean in order to estimate future potash prices which we have compared with CRU's prices to obtain a high-level cross check. Forecast prices of agricultural crops were obtained from Consensus Economics.

10.19 Set out below is the historical potash prices and forecast potash prices based on the historical correlation between crop prices and potash prices, and the forecast crop prices provided by Consensus Economics.

Figure 46 - Inferred potash prices (US$/t) based on crop relativities



Source: Consensus Economics, GTCF analysis.

10.20 The forecast prices for the period up to 2034 calculated with the methodology outlined above are not materially different from the CRU's prices for the same period which provide support to this key value driver. We also note that the short-term forecasts of CRU were broadly consistent with those of Brokers, which we have set out in the table below.

Figure 47 - CRU broker benchmark analysis

Broker potash price forecasts				Forecast	Forecast
Source	Date	Potash price	Metric	2025	2026
Broker 1	13-Nov-24	Potash Brazil	US$/t	325	325
Broker 2	10-Oct-24	SMOP bulk fob Vancouver	US$/t	250	250
Broker 2	10-Oct-24	GMOP bulk cfr Brazil	US$/t	333	333

Source: Brokers, GTCF analysis.
Notes: 1) The forecasts from Broker 2 were inferred and not explicitly stated. 2) The forecasts from Broker 2 have been converted from EUR to US at the USD:EUR exchange rate of 0.90.

10.21 Whilst the prices assumed by CRU for the short/medium term (up to CY33) are not inconsistent with other sources available to us and benchmarks undertaken, the reality is that for the majority of this period of time, the Muga Project will be in the Phase 1 and Phase 2 construction period followed by a ramp-up period. The Muga Project is only expected to reach full run production rate by CY32. Accordingly, the overall valuation is more affected by prices after CY33 for which the only source available is CRU prices. CRU expects potash prices (on a nominal basis) to increase significantly between CY33 and CY39 at a CAGR for this period of circa 10.5%, and beyond CY39 CRU estimate annual growth of 2.4%. CRU also expects Vancouver potash prices (on a nominal basis) to increase significantly between CY33 and CY39 at a CAGR of c. 9.0%.

10.22 CRU's price forecast is based on expected demand and supply and it takes into account new mines coming to market and existing mines depleting their resources, along with general macro trends affecting potash prices including 1) global population growth, 2) geopolitical tensions, such as the conflict in Ukraine and sanctions on major producers like Belarus, which have disrupted the supply of potash historically, 3)

environmental regulations and sustainability initiatives which may limit the expansion of potash production and hence cap supply at a lower level than demand, and 4) several developed countries investing more in their agricultural sectors to ensure food security, which will drive up the demand for potash.

10.23 Nonetheless, it is intrinsically difficult to predict potash prices so far in the future and history demonstrates that events and circumstances occur, including technological advancement, conflicts and political tension, which are not capable of being predicted and have significant impact on prices.

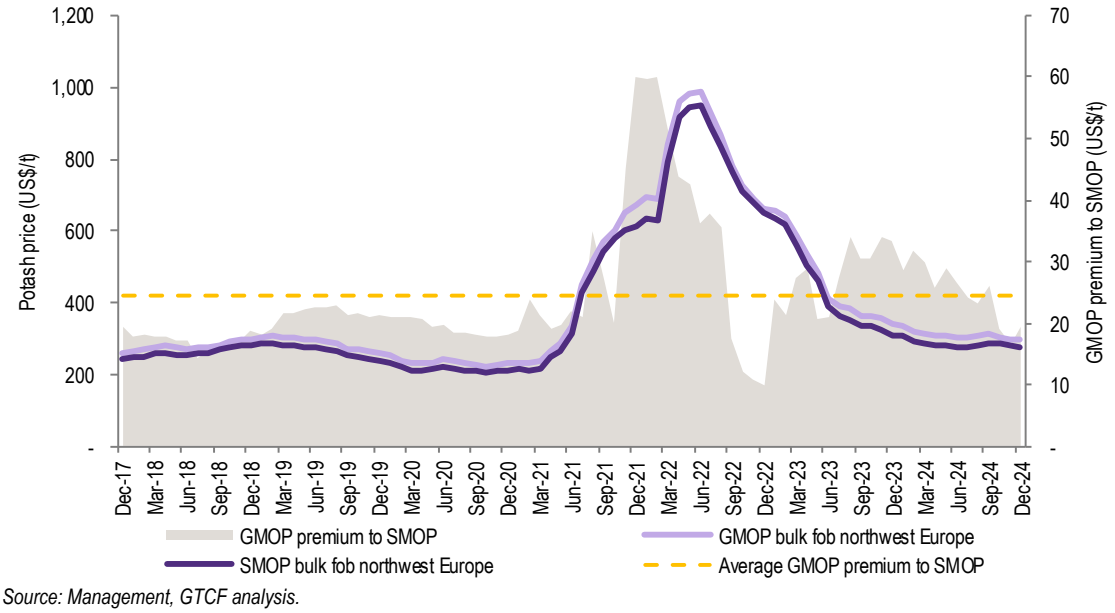
10.24 As an alternative approach, we have considered the implication on the value of the Muga Project and Southey Project if potash prices are instead pegged to forecast global GDP. Potash prices are influenced by economic conditions, agricultural demand, and supply chain dynamics, all of which are affected by global economic performance, so we believe in the long term, it is reasonable to expect a high correlation between potash prices and global GDP. This approach yields more elevated prices, overall and across the LOM, than estimated by CRU, which in our opinion assist in indicating that CRU forecast is not overly optimistic.

10.25 In summary, we have undertaken our valuation based on the following price assumptions: 1) CRU prices; 2) Assuming CRU prices in CY25 and growing them in line with long term global GDP forecast of 3.1% (real); 3) GT rebasing potash prices up to CY33 and then grow them in line with long term global GDP forecast of 3.1% (real); 4) The annual average of the potash prices under the above three scenarios.

10.26 The CRU forecasts relied upon by Management are on a cfr basis. To convert to a free on board basis, in line with the Financial Model, Management have deducted an assumed logistics cost of EUR 16.4/t which reflects the transportation cost assumptions from its latest logistics study and is based on the memorandum of understanding in place with respective transport and port service providers.

10.27 Further, in the absence of a CRU forecast SMOP European potash price, Management has assumed a US$20/t discount to the CRU forecast GMOP European potash price, which we consider reasonable having regard to the historical GMOP European potash price premium to the SMOP European potash price. We have set out these historical premiums out in the chart below.

Figure 48 - Historical GMOP European potash price premium to SMOP European potash (US$/t, nominal)



Source: Management, GTCF analysis.

10.28 Additionally, In the absence of a CRU forecast SMOP Vancouver potash price, Management has assumed a US$20/t discount to the forecast GMOP Vancouver potash price, which we do not consider unreasonable based on historical GMOP potash price premiums and SLR's review.

Salt prices

10.29 The Muga Project produces de-icing and vacuum salt as another product of mining the sylvinite mineral to produce MOP. Similar to forecast potash prices, we note that there was limited publicly available forecast information, especially for long-term forecasts, and as a result our primary approach has been to rely on the forecast prices provided by Management which were sourced from CRU.

10.30 We have cross-checked the salt price forecasts of Management against Broker forecasts and note that they are broadly in line. Although we note the number of observations is limited and somewhat dated, salt prices have historically been stable. We have summarised our analysis in the table below.

Figure 49 - Management vs Broker forecast salt prices

Broker forecasts for salt (US$/t)		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Source	Date	2025	2026	2027	2028	2029	2030	2031	2032	2033	LT
Broker 1	30-Apr-24	50	50	62	67	67	67	67	67	67	67
Broker 2	30-Apr-24	nd	nd	62	62	62	62	62	62	62	62

Source: Brokers, GTCF analysis.

10.31 Overall, we note that revenue from the sale of salt products only represents c. 8.7% of the total revenue in the Financial Model and accordingly small changes in the salt prices are not expected to have a material impact on value.

11. Valuation assessment of Highfield before the Transaction

11.1 As discussed in the Valuation Methodologies Section, Grant Thornton Corporate Finance has assessed the equity value of Highfield before the Transaction using the DCF Method.

DCF Method: Muga Project before the Transaction

11.2 We have been provided with the Financial Model summarising the forecast LOM cash flows for the Muga Project up to CY59. The Financial Model was prepared by the Management on a real and post-tax basis. Based on SLR's review and suggested changes to the Financial Model, Grant Thornton Corporate Finance has assessed the net present value of the Muga Project using real, ungeared, post-tax cash flows, having regard to the Grant Thornton Corporate Finance assessment of potash and salt prices, exchange rates and discount rate.

11.3 In accordance with the requirement of RG111, we have undertaken a critical analysis of the forecasts contained in the Financial Model before relying on them for the purpose of our valuation assessment, including conducting high level checks on the mathematical accuracy and having regard to key industry risks, growth prospects and general outlook.

11.4 Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the Financial Model are reasonable and appropriate to be adopted for the purpose of our valuation, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for presentation of prospective financial information as set out in ASIC Regulatory Guide 170 "Prospective Financial Information".

11.5 The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences of opinion. It should be noted that the value of Highfield could vary materially based on changes to certain key assumptions.

Production profile

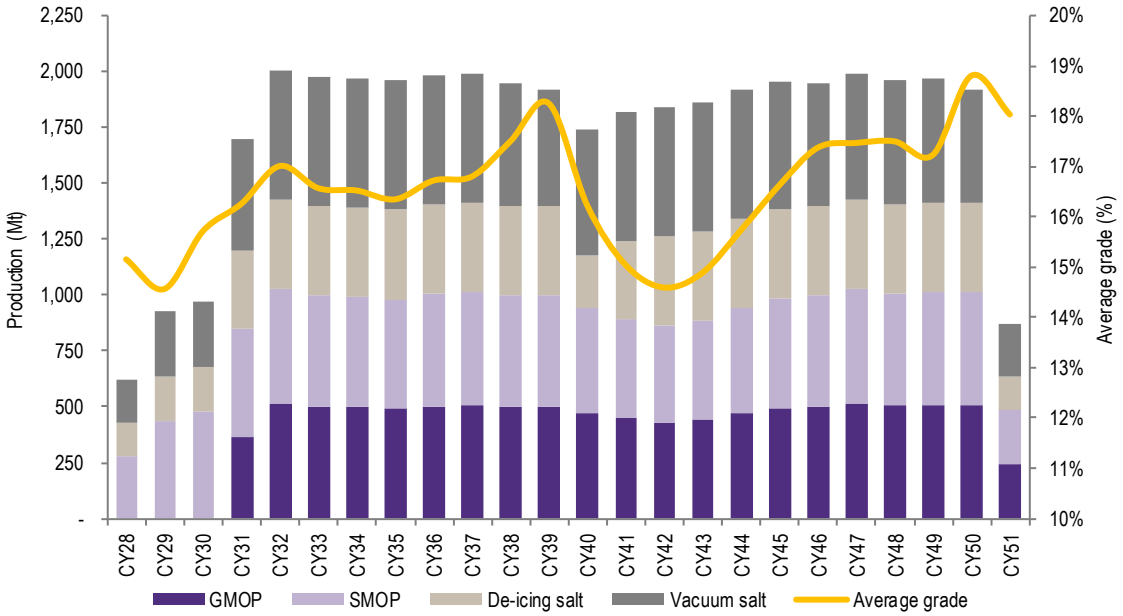
11.6 The Muga Project has a proposed life of mine of 30 years, with final ore mined and processed in CY58. This comprises approximately 18 years of mine life from Ore Reserves (circa 104.3 Mt) and 12 years from additional Mineral Resources (c. 27 Mt, of which 11 Mt is Measured and Indicated Mineral Resources) and the Exploration Target (c. 43 Mt). Based on the review undertaken by SLR, we have been instructed to remove the Exploration Potential from the LOM which is valued separately by SLR. SLR has derived the Ore Reserves from the reported Measured and Indicated Mineral Resources at 12.0% K20. Following the changes suggested by SLR, the LOM reduces by six years and total ROM tonnes processed reduces from 173.7 Mt to 132.4 Mt, when excluding the Exploration Target.

11.7 Management forecast to commence construction for Phase 1 of the Muga Project in July 2025 with production to commence in April 2028. Whilst HRL has obtained all the required approvals, permits and authorisations, the equity funding package is yet to be finalised, although it is expected to occur early in 2025 if the Transaction is approved. Whilst SLR considers the timetable adopted by Management reasonable, we note that delays are possible, in particular if there are changes to the project finance debt

package, large volatility in the potash prices or other circumstances. Accordingly, we have assumed that Management's timetable is a best-case scenario as there are not really opportunities for HRL to accelerate commencement of construction of the Muga Project. However, we have also undertaken our valuation assuming that commencement of production is delayed by one year and two years (production commences March 2029 and March 2030 respectively). Whilst there are no indications at the valuation date that delays will occur, this is not uncommon for such large greenfield mine construction projects.

11.8 Mining will initially focus the West area mining zone during Phase 1 and subsequent ramp up to support Phase 2 production at a rate of approximately 800 Ktpa MOP. Following completion of Phase 2, the Muga Project is expected to produce at a steady rate of approximately 1 Mtpa MOP. Salt will be produced at a similar steady-state annual rate. Below we have set out the production profile of the Muga Project adopted in the Financial Model, broken down by type of MOP and salt, and KCl grade (%) and incorporating the changes suggested by SLR.

Figure 50 - Production profile



Source: GTCF Analysis, SLR Report, Financial Model.
Notes: 1) Based on SLR's recommendation, the Exploration Target has been removed from the LOM (refer to Section 2.6.10.1 of the SLR Report). 2) The Muga Project is expected to produce 17.2 Kt of de-icing salt in 1QCY52 which is not shown in the figure above due to its relatively small quantity.

Operating costs

11.9 The operating costs of the Muga Project primarily relate to processing costs, underground mining costs, waste and backfilling, and G&A.

11.10 Processing costs are forecast to total c. €1,698 million across the LOM. Energy (electricity and gas) represents the largest portion of processing costs (total 35.6%). Electricity is primarily used in the crystallisation plant, the crushing and flotation circuits and waste treatment. Gas is mainly used in the drying, compacting and glazing process and in the crystallisation plant. Reagents account for the next largest cost item (25.5%) and relates to the chemicals used in the processing plant and to treat the

finished product[36]. Labour costs (13.8% of total operating costs) has been estimated based on a detailed labour requirement, which comprises 234 workers following the completion of Phase 2.

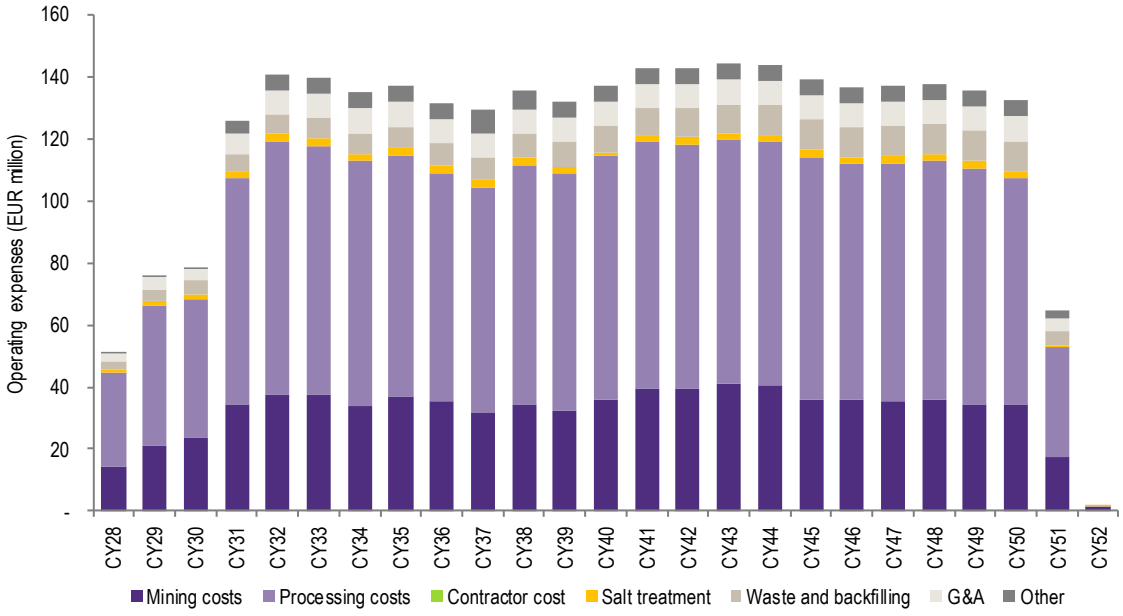
11.11 Mining costs are forecast to total circa c. €800 million across the LOM. The operating cost estimate for underground mining comprises labour, electricity, consumables and other costs of ongoing mine development relating to drift and gallery development of the mine.

11.12 Waste and backfilling are forecast to total circa c. €180 million across the LOM and reflects operating costs (labour and energy) and ongoing maintenance to operate the conveyors from the plant to the panels to be backfilled.

11.13 G&A costs are forecast to total c. €171 million across the LOM and largely comprise staff mine management costs for administrative departments (i.e. finance, human resources, sales, and logistics etc.) as well as health, safety and environment, insurance, security and other administration costs. These costs excluded the listed entity expenses and other centralised costs which have been considered separately below.

11.14 Below we have set out the forecast operating expenses for the Muga Project adopted in the Financial Model.

Figure 51 - Operating costs



Source: GTCF Analysis, SLR Report, Financial Model.

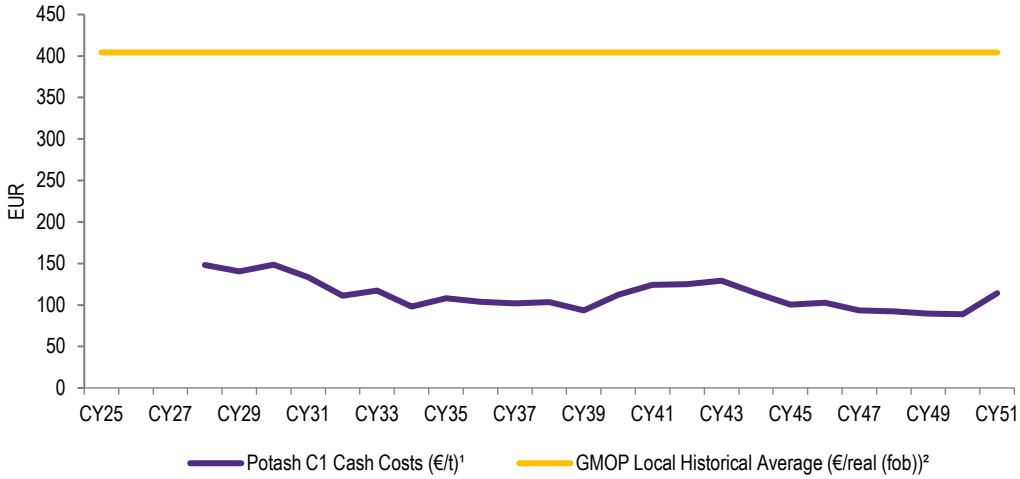
11.15 Having regard to the volatile energy and labour market in Spain and their significance in the major operating cost items, we have reviewed HRL's C1 costs[37], which includes costs relating to mining, processing, environmental, G&A, sustaining capex and salt credits, together with potash prices. Below we have set out a comparison between the C1 costs included in the forecast and the historical average potash prices. As set out below, excluding the large upfront construction capex, the Muga Project is a low-cost

36 This includes amine, oil, frother, depressant, flocculant, anti-caking and calcium hydroxide.

37 C1 costs are a measurement used in mining companies to determine the basic cash costs of running mining operations and to allow comparison across similar mining companies.

operation which is expected to generate significant margin if the future potash prices are at least in line with the historical average.

Figure 52 - Forecast C1 costs and historical potash prices



Source: GTCF Analysis, SLR Report, Financial Model.
Notes: (1) Production starts in CY28. (2) We have used the historical average (December 2017 to October 2024) GMOP bulk fob northwest Europe (USD/t) prices. Whilst these are not the potash prices adopted within the Financial Model, we consider the prices above provide an indication of the forecast margin expected between C1 cash costs and potash prices.

11.16 In the short-term until CY33, HRL has higher C1 costs (average of €133/t) as production is only ramping up, reaching stabilised mined ore from CY32 of 6.3 Mt. During this period, HRL will be more susceptible to movements in potash prices. After CY33, the average C1 costs reduces to €105/t. We have assessed the reasonableness of the Company's C1 costs compared with Comparable Listed Companies in Section 11.

Capex

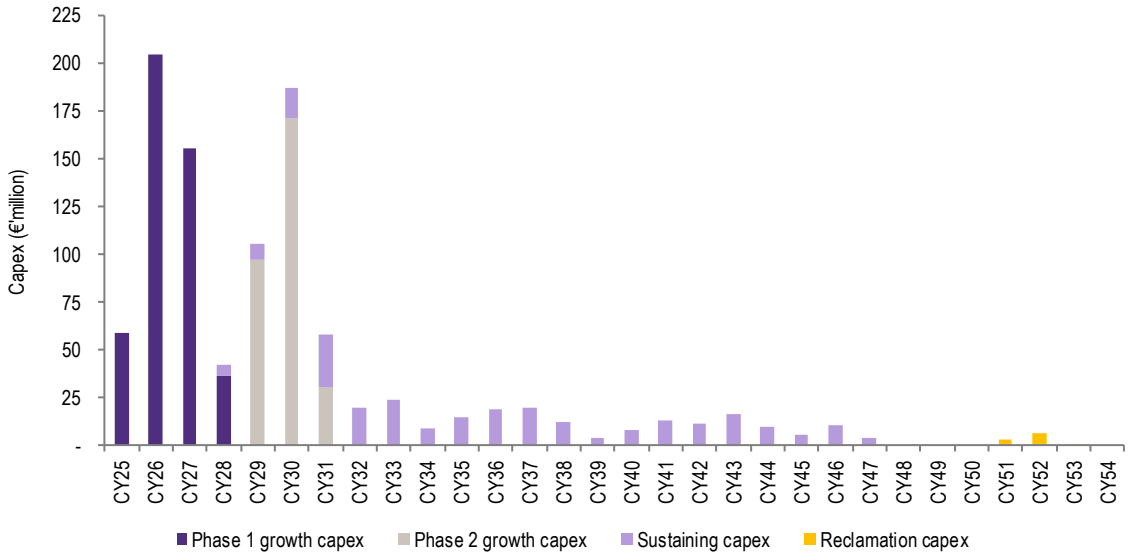
11.17 Capex estimates for Phase 1 and Phase 2 increased 11% between the November 2022 Feasibility Study and the Updated 2023 Feasibility Study from a total €622 million to €735 million, reflecting updated contracts and the impact of global cost inflation on raw material prices, partly offset by design optimisations and efficiencies.

11.18 HRL's key growth capex initiatives relate to planned expenditure on the plant, accounting for 65.7% of the total growth capex over the LOM, mining construction and backfilling (which account for 19.1% and 13.8% of total growth capex over the LOM, respectively). Other capex relates to sustaining capex and closure costs. Included in capex assumptions are SLR's recommendations relating to capex within the Financial Model, which includes:

- Phase 1 contingency capex increased by €9.1 million, incurred equally on a monthly basis from July 2025 to March 2028.
- Phase 2 contingency capex increased by €13.0 million, incurred equally on a monthly basis from April 2029 to March 2031.

11.19 Below we have set out the forecast capital expenditure for the Muga Project adopted in the Financial Model, with growth capex split between Phase 1 and Phase 2.

Figure 53 - Capex forecast



Source: GTCF analysis, SLR Report, Financial Model.

Tax

11.20 The tax payable is modelled at the corporate tax rate of Spain of 28.00% across the LOM. Our valuation assessment includes the net present value of the future tax losses. As at 31 December 2023, Highfield has accumulated tax losses of A$54.0million (€32.94 million[38]) which we have had regard to as an opening balance in our valuation assessment.

Corporate costs

11.21 The value derived from the Muga Project does not include the corporate expenses relating to head office costs, ASX listing fees, Directors, Management and centralised functions. In CY22 and CY23, Highfield incurred administration and corporate costs of c. A$4.2 million and c. A$5.5 million respectively (equivalent to €2.6 million and €3.3 million respectively). Notably, this included corporate advisory, financial advisory and legal fees of A$0.8 million and A$1.8 million respectively (equivalent to €0.5 million and €1.1 million respectively). In our valuation assessment, we have considered annual corporate costs of between €3.0 million and €3.5 million per annum, which reflects a normalised level of corporate advisory, financial advisory and legal costs and takes into account the expected growth of the business and operations over the LOM. The value of the corporate costs has been assessed on a post-tax basis having regard to the WACC range discussed below.

38 Based on the AUD:EUR Exchange Rate.

Other mineral assets

11.22 In the table below, we have summarised SLR's valuation assessment of the other resource and exploration potential outside the LOM.

Figure 54 - SRL valuation of other resource and exploration potential outside the LOM

SLR valuation of other resource and exploration US$million (unless stated otherwise)	Low	High
Muga Project's exploration target outside LOM	0.16	0.39
SdP Project	-	-
Pintanos Project	0.53	1.47
Total valuation of other resources and exploration	**0.69**	**1.86**
Exchange Rate (EUR/USD)	0.90	0.90
Total valuation of other resources and exploration (€'million)	**0.62**	**1.67**

Source: SLR, GTCF analysis.

11.23 In relation to the table above, we note the following:

- The exploration potential at the Muga Project outside the LOM is estimated to contain between 6.4 million to 13.0 million tonnes of K20. For the purpose of the valuation, SLR has applied 50% of the valuation range for less advanced properties, which results in an estimate value for the exploration potential at the Muga Project between US$0.16 million and US$0.39 million.

- Given the legal status of the permit ownership disputes remain unresolved as at the date of this Report, SLR was unable to assign a fair market value to the SdP Project. Accordingly, SLR has attributed nil value to the SdP Project.

- The Pintanos Project includes an Inferred Mineral Resource of 8.41 Mt K2O, situated on the Molineras 1 permit which SLR has valued between US$0.42 million to US$0.50 million. Further, the exploration potential at the Pintanos Project is estimated to contain between 4.6 million to 32.3 million tonnes of K20. Similar to the Muga Project, for the purpose of the valuation, SLR has applied 50% of the valuation range for less advanced properties, which results in an estimated value for the exploration target at the Pintanos Project between US$0.11 million and US$0.97 million. Overall, SLR has assessed the value of the Pintanos Project between US$0.53 million and US$1.47 million.

- We have converted the US$ values assessed by SRL to EUR based on the USD:EUR exchange rate of 0.90 (refer to the Economic Assumptions Section for further details on this assumption).

Theoretical dilution

11.24 SLR has estimated that the Phase 1 Muga Project requires upfront capex of €463 million (versus €437 million estimated by the Company) and an additional €308 million for Phase 2 (versus €286 million estimated by the Company). In order to fund Phase 1, the Company has secured a c. €320 million project finance facility and €25 million of equipment operating leases. In addition, the Company has estimated that it requires at least US$220 million or €201 million39 in equity funding which are the subject of the Cornerstone Placement, which is yet to be completed.

39 Based on the USD:EUR Exchange Rate.

11.25 As a result, we have considered the future dilution that will be suffered by current HRL Shareholders for the equity funding requirements of the Muga Project in our valuation assessment. It is critical to fully take into account the funding requirements of the Muga Project when undertaking a DCF approach. Quoting from ASIC RG111.15 Note:

"For the avoidance of doubt, funding requirements for a target that is not in financial distress (e.g. capital that is required to develop a project) should generally be taken into account when determining the fair value of target securities: see Northern Energy Corporation Limited [2011] ATP 2. Such funding requirements will generally be relevant to determining the value of the target securities assuming knowledgeable and willing, but not anxious, parties. These funding requirements will often be implicitly reflected in certain methodologies (e.g. the quoted price for listed securities). The expert may need to expressly determine to take funding requirements into account when using other methodologies (e.g. the discounted cash flow methodology)."

11.26 There are a number of structures that the Company may adopt to raise capital including 1) undertaking a rights issue, 2) a placement with institutional investors, 3) selling down a proportion of the Muga Project, and 4) a placement with strategic investors.

- In our opinion, option 1 is not feasible given that the amount to be raised is a multiple of the market capitalisation of the Company at the time of this report and it is unlikely that the existing investors will be prepared to more than double the size of their investments. HRL will also be required to offer a large discount to the trading prices and in our opinion, it would be difficult to find an investment bank which would be prepared to underwrite such a large capital raising. Large equity raising (via a rights issue or private placement) typically occurs at a discount to prevailing market trading prices often between 5% and 20% for mining companies in a similar stage of development. We note that historically HRL has raised capital at the following discount to the trading prices:

Figure 55 - Historical HRL capital raisings

Highfield Resources Recent Capital Raisings		Offering Price	Amount Raised	Premium / (Discount)
Annoucement Date	Offering Type	(A$/HFR Share)	(A$m)	to last traded price
12-Dec-22	Institutional Placement	0.6200	13.0	(10.1%)
9-Aug-21	Institutional Placement	0.5200	15.0	(8.0%)
9-Aug-21	Retail Placement	0.5200	4.0	(8.0%)

Source: Highfield Resources ASX announcements, GTCF analysis.

- Option 2 is also not practical for the size of the raise and because HRL would be required to offer a very large discount to the prevailing trading prices in order to attract institutional investors.

- Option 3 is definitely a possibility and it has been undertaken in the past by mining development companies, however the downside of this approach is that HRL may lose control of the Muga Project (depending on the valuation of the project) and it will create some additional complexity in the corporate structure which may affect the financing in place and future raising.

- Option 4 appears to be the preferred approach and it is consistent with the structure of the Cornerstone Placement announced at the same time as the Short Term Funding. It is preferrable as a strategic player maybe prepared to pay a premium to the trading prices in order to secure offtake and marketing agreements together with a share in the project and hence this type of transaction is likely to be less dilutive for existing HRL Shareholders.

11.27 Based on the above, we consider the structure and terms of the Cornerstone Placement the starting point to assess the potential equity dilution for the residual funding of the Muga Project. The Cornerstone Placement aims to raise US$220 million or €201 million at a price of A$0.50 per HRL Share which was at a premium of 64% to the last close price on the ASX[40]. However, the Cornerstone Placement was negotiated as part of the Transaction which also includes the vend-in of the Southey Project and the offtake agreement between HRL and Yankuang Energy. The issue price may reflect relativity between the value of the Muga Project and the Southey Project rather only based on the fair market value of the Muga Project.

11.28 As a result, we have considered the issue price of the Cornerstone Placement as the high-end price at which HRL could possibly raise the residual funding for the construction of the Muga Project, however we have sensitised these prices between A$0.30 per HRL Share (trading prices around the announcement of the Short Term Funding) and A$0.50 per HRL Share in 5c intervals.

11.29 In order to incorporate the equity funding in our DCF valuation, we have calculated the theoretical impact that the required fundraising is likely to have on the interest of existing HRL's Shareholders in the Muga Project. To do so, we have considered the total required funding to develop the project, the likely sources of funding available to HRL, and the dilutionary effect that funding via equity capital raising at prices between A$0.30 and A$0.50 per HRL Share will have for the existing HRL Shareholders. The table below summarises the dilutionary effect on existing HRL Shareholders for the theoretical capital raising to fund construction of the Muga Project.

Figure 56 - Theoretical HRL post capital raising

Impact of a theoretical HRL capital raising to fund the Phase 1 Muga Project						
HRL Shares in millions (unless otherwise stated)	*Reference*					
Funding to be raised (A$m)[1]	*A*	344	344	344	344	344
Equity capital assumed price (A$/share)	*B*	0.30	0.35	0.40	0.45	0.50
Theoretical HRL Shares issued	***C = A / B***	**1,146**	**982**	**859**	**764**	**688**
Add: Total HRL shares on issue at the date of this Report (diluted)	*D*	629	629	629	629	629
HRL Shares on issue post theoretical funding	***E = C + D***	**1,774**	**1,611**	**1,488**	**1,392**	**1,316**
Existing HRL Shareholders retained ownership	***F = D / E***	**35.4%**	**39.0%**	**42.2%**	**45.1%**	**47.8%**

Source: GTCF analysis, GT Model.
Notes: (1) The Cornerstone Placement is expected to raise US220 million, which has been converted to AUD using the AUD:USD Exchange Rate. (2) Whilst HRL will receive cash proceeds from the Cornerstone Placement, this is not representative of surplus cash to the Company but rather committed capital required to achieve the value assessed of the Muga Project on a fully funded basis for Phase 1.

11.30 Based on the above calculation, we have assumed that existing HRL Shareholders will retain an interest in the Muga Project between circa 35.4% and 47.8% after the required equity raising to fully fund construction of the Muga Project. Whilst HRL will receive cash proceeds from the Cornerstone Placement, this is not representative of surplus cash to the Company but rather committed capital required to achieve the value assessed of the Muga Project on a fully funded basis for Phase 1.

11.31 The Phase 2 capex is estimated at €308 million from March 2029 following completion of construction for Phase 1 and when the business is expected to start generating significant cash flows. On this basis, we have assumed that the capex for Phase 2 will be largely funded from additional debt facilities and cash flows generated from the operations, however this remains a risk which we have incorporated into our assessment of the discount rate.

40 To the last undisturbed Highfield trading price on 18 July 2024.

Discount rate

11.32 We have built a Euro denominated real discount rate in order to preserve the required consistency with the underlying cash flows. We have estimated the real WACC between 10.4% and 11.1% or between 12.6% and 13.4% on a nominal basis as set out in the table below.

Figure 57 - Grant Thornton discount rate analysis for the Muga Project before the Transaction

WACC computation for the Muga Project before the Transaction		
	Low	High
Risk-free rate	2.5%	2.5%
Market risk premium	6.0%	6.0%
Asset beta	1.30	1.40
Equity beta	1.70	1.83
Specific risk premium	3.0%	3.0%
Cost of equity	**15.7%**	**16.5%**
Cost of debt (pre-tax)	7.5%	8.5%
Tax rate	28.0%	28.0%
Cost of debt (post-tax)	**5.4%**	**6.1%**
Proportion of debt	30.0%	30.0%
Proportion of equity	70.0%	70.0%
Nominal WACC	**12.6%**	**13.4%**
Inflation	(2.0%)	(2.0%)
Real WACC	**10.4%**	**11.1%**

Source: GTCF Analysis, S&P Capital IQ.

11.33 Total market return (risk free rate plus market risk premium) – Being 8.5% including a risk-free rate of 2.5%, selected based on our assessment of the long-term 20-year and 30-year Euro denominated bond yields, aligned with the duration of the Muga Project LOM, and a market risk premium of 6% based on market evidence across valuers and regulators of the rates of return and historical risk premiums, especially for equities, over 20 to 80 years.

11.34 Asset Beta – We have estimated an asset beta between 1.30 and 1.40 based on the observed asset beta of the Comparable Listed Companies, with trading prices regressed against local and global indices on a five-year monthly basis. Specifically, we have primarily relied on the asset betas of exploration and development companies (which we consider the most comparable to HRL currently) which have an average asset beta regressed against global indices of 1.23[41] and HRL's own asset beta of 1.26 and 1.48, based on the local and MSCI index respectively.

11.35 Specific risk premium – We have adopted a specific risk premium of 3.0% to reflect the following:

41 Data excludes outliers for low r-squared, indicating a lower level of correlation between the performance of individual companies and the index it is being regressed against.

- We have assumed that the equity funding of US$220 million for the construction of the Muga Project will occur at prices in line or higher than the prevailing trading prices before the announcement of the Short Term Funding and the Transaction.

- HRL is still pre-production, and operational risks remain before production commences and potentially in the longer-term. Changes in operational activities may have a material impact on HRL's on-going operations. For example,

  - On 23 and 28 October 2024, it was announced that the Goyo mining concession (one of the three Muga Project mining concessions) that was granted to Highfield is currently being reviewed following procedural flaws identified in the internal administration process of the granting. HRL has been informed that the Government of Navarra is analysing the ruling but the outcome at the date of this Report is unknown and highlights potential operational risks faced by HRL.

  - SLR has indicated that knowledge of mine scale seam geometry is limited at present due to the wide spacing of drilling holes. Consequently, it is likely that the mine design will need to be adjusted when further knowledge is gained during the mine development.

- We have assumed that the Phase 2 construction capex is fully funded via external debt facilities and from cash flows generated by the operations and hence there is risk of further dilution for the existing HRL Shareholders. Further, the exploration / development Comparable Listed Companies have experienced significant difficulties securing financing despite construction already commencing (as detailed in Section 12) and we therefore perceive that there is inherent risk that the appetite for Phase 2 funding may be influenced by the performance of Highfield during Phase 1 and changes in market dynamics.

11.36 Capital structure – We have adopted a D/EV of 30% (D/E of 43%) based on the listed peers and the gearing of the company.

11.37 Cost of debt – Estimated between 7.5% and 8.5% in line with the project finance facilities.

11.38 In relation to our overall cost of equity of between 15.7% and 16.5% on a nominal basis, we are of the opinion it is not unreasonable considering that it is above the interest rate on the convertible notes of 14.0% which are secured and ranked ahead of the equity on wind-up. As a result, all things being equal, we would expect the yield on the convertible note to have a lower return than the cost of equity.

11.39 In addition, we consider our overall discount rate of between 10.4% and 11.1% (on a real basis) to be supported by the discount rates assessed by Brokers for Comparable Listed Companies as set out in the table below. We note that there was no Broker coverage for those Comparable Listed Companies in the exploration / development stage of the mining cycle.

Figure 58 - Broker discount rate assessment for Comparable Listed Companies

Discount rate benchmarking - Brokers			Discount rate assessed
Company	Company type	Date of Report	(real, after-tax)
Mosaic Company	Producing	9-Aug-24	9.00%
Nutrien Ltd (Wholesale business unit)	Producing	19-Sep-24	9.00%
Nutrien Ltd (Retail business unit)	Producing	19-Sep-24	8.00%

Source: GTCF analysis, RBC Capital Markets.

11.40 All things being equal, the discount rate of a producer will be lower than a development company due to the greater risks and uncertainties associated with development-stage projects. Producing mining companies have established operations, predictable cash flows and lower operational risks. In contrast, development mining companies face risks in relation to securing funding and the estimated cost and scheduling of construction. Notwithstanding the above, we have sensitised our discount rate assessment below.

Other valuation items

Convertible notes

11.41 The debt facilities of the Company at the date of this Report are only represented by the convertible notes issued in May 2023 with a face value of c. A$26 million and maturity date in June 2025 and the December 2023 notes with a face value of c. A$9 million and maturity in June 2025.

11.42 As announced on 24 September 2024, the terms of both the Tranche 1 and Tranche 2 notes were amended such that they ignore the conversion price adjustment associated with the Short Term Funding (if the Transaction occurs) and convert at around the time of completion of the Transaction, assumed to be 31 March 2025. Assuming no further equity raises other than the Conditional Placement and the Cornerstone Placement, the weighted average conversion price for both tranches is A$0.2905 per HRL Share. The Company will issue 154.5 million[42] new HRL Shares.

11.43 We have set out below a summary of the key convertible note terms in our calculations.

Figure 59 - Conversion assumption for the convertible notes

Convertible loan notes conversion	*Unit*	Tranche 1	Tranche 2
EMR notes issue date	*Date*	22/06/2023	22/12/2023
Other investors issue date	*Date*	23/05/2023	22/12/2023
Maturity per contract	*Date*	22/06/2025	22/06/2025
Assumed maturity date	*Date*	31/03/2025	31/03/2025
Face value	*A$m*	26.3	9.4
Exercise price	*A$*	0.2832	0.3147
Interest	*%*	14.0%	14.0%
EMR value at maturity	*A$m*	24.4	5.7
Other investors value at maturity	*A$m*	9.2	5.5
Total value of convertible loans at maturity	***A$m***	**33.6**	**11.2**
EMR HRL Shares to be issued	*HRL Shares (millions)*	86.2	18.1
Other investors HRL Shares to be issued	*HRL Shares (millions)*	32.6	17.6
Total HRL Shares to be issued	***HRL Shares (millions)***	**118.8**	**35.7**

Source: Management, GTCF analysis.

42 The convertible notes carried an interest rate of 14.0%, paid in kind (via addition to the amount advanced by the lenders under the notes). We have calculated the total value of the notes at maturity (31 March 2025) being the face value plus the interest accrued at 14%. This has then been converted into Highfield shares using the price of A$0.2832 and A$0.3147 for Tranche 1 and Tranche 2 respectively.

Options

11.44 The Company also has on issue 12,967,909 unlisted options with exercise prices ranging between A$0.47 and A$1.07 per HRL Share as set out in Section 6 of this Report. We have assessed the fair market value of the options at between A$0.5 million and A$1.0 million using the Black-Scholes-Merton pricing model, including the following assumptions: expected duration to maturity between 0.25 years and 4.25 years, share price in line with our valuation, volatility based on annualised historical volatility of HRL and a risk-free rate aligned with the duration to maturity of the options.

Cash balance at 31 December 2024

11.45 HRL held a cash balance of c. A$12.0 million as at 31 December 2024 which includes the cash proceeds from the Unconditional Placement and SPP, net of transaction costs. On 17 January 2025, HRL received US$5.0 million as part of the Conditional Placement, which is equivalent to c. A$7.4 million net of transaction costs. In the table below, we have summarised HRL's cash balance as at 31 December 2024 including the net cash proceeds from the Conditional Placement.

Figure 60 - Pro-forma cash balance of HRL before the Transaction

Pro-forma cash balance of HRL before the Transaction A$'000s (unless stated otherwise)	
Cash balance of HRL as at 31 December 2024	11,960
Add: Cash proceeds from the completion of the Conditional Placement (net of transaction costs)	7,415
Pro-forma cash balance of HRL before the Transaction	**19,374**

Source: Management, GTCF analysis.

Shares on Issue

11.46 Below we have set out the total number of HRL Shares before the Transaction.

Figure 61 - Total number of HRL Shares before the Transaction

Total number of HRL Shares before the Transaction	
HRL Shares issued as at the date of this Report	474,077,043
Add: HRL Shares to be issued upon exercise of the convertible notes	154,487,158
Total number of HRL Shares before the Transaction	**628,564,201**

Source: ASX Announcements, GTCF analysis.

11.47 In relation to the table above, we note the following:

- HRL has 474,077,043 HRL Shares on issue as at the date of this Report (inclusive of the 24,967,169 HRL Shares issued as part of the Conditional Placement on 17 January 2025).
- As discussed above, HRL will issue 154,487,158 new HRL Shares as part of the conversion of the Tranche 1 and Tranche 2 convertible notes.

Summary of values

11.48 As summarised in the sections above, there are a number of key assumptions which have a material impact on the value of the Muga Project which are difficult to predict with a high degree of certainty as most of them depends on endogenous factors which are outside the control of the Company. In order to consider scenarios by sensitising these key assumptions, we must first arrive at a value scenario considered to be the Status Quo case, which reflects CRU price forecasts, production commencing in line with the Company's expectation, capex as advised by SLR and funding of equity occurring at A$0.50 per HRL Share in line with the Cornerstone Placement.

11.49 We have provided below the Status Quo valuation details to arrive at a value per HRL Share before the Transaction (on a control and post-funding basis).

Figure 62 - Status Quo valuation of Highfield before the Transaction

Valuation Summary €'million (unless stated otherwise)	*Section Reference*	Low	High
Muga Project	*11*	411.2	494.4
Add: Valuation of other resources and exploration	*11*	0.6	1.7
Less: NPV HFR corporate costs	*11*	(23.0)	(20.3)
Enterprise value (pre-funding)		**388.7**	**475.8**
HFR Shareholders ownership portion post equity funding raise (%)	*11*	47.8%	47.8%
Enterprise value (post-funding)		**185.7**	**227.2**
Exchange Rate (AUD/EUR)	*10*	0.610	0.610
Enterprise value (A$m) (post-funding)		**304.4**	**372.5**
Less: HRL unlisted options	*11*	(0.5)	(1.0)
Add: Net cash before the Transaction (A$m)	*11*	19.4	19.4
Equity value of HRL before the Transaction (A$m) (post-funding)		**323.3**	**390.9**
Total number of HRL Shares outstanding before the Transaction (millions)	*11*	628.6	628.6
Assessed value per HRL Share before the Transaction (A$/HRL Share) (post-funding)		**0.51**	**0.62**

Source: GTCF analysis, SLR Report, Financial Model.

11.50 We note that the value under the Status Quo presented above is only one of the sensitivity value ranges which we have considered before determining the value per HRL Share. The key assumptions which we have sensitised to derive the equity value belong to three main categories which are discussed below.

Operational assumptions

11.51 Production start date - There is a risk of potential delay to HRL management's production commencement estimate of April 2028. Highfield is yet to commence construction of the Muga Project and it is not uncommon for a large greenfield mine development to be affected by delays and unforeseen issues. We have hence considered a potential delay in the timeline for production starting by one year and two years, with this assumption supported by the exploration / development Comparable Listed Companies who have experienced difficulties after construction has started.

11.52 Capital expenditure - The updated Feasibility Study for the Muga Project reflected an increase of capital expenditure of c. €68 million mainly associated with general inflation and increase cost of doing business. Whilst the updated Feasibility Study includes improved level of confidence in capex estimates, with 93% based on contracts plus firm offers, risks remain that the cost may continue to increase, in particular in

relation to the Phase 2. Also, the contingency allowance included in the forecast for Phase 1 and Phase 2 was only 10%, however SLR has recommended increasing the capex contingency allowance for Phase 1 to 12% of remaining capex and to 15% of remaining capex for Phase 2. Overall, having regard to the uncertainty in estimating forecast construction costs, we have sensitised the total growth capex and sustaining capex across the LOM by increasing / decreasing the forecast amounts by 5.0%.

Macro-economic assumptions

11.53 Potash prices - The value of the Muga Project is particularly sensitive to movements in forecast price assumptions and we have subsequently assessed various scenarios, including: 1) The CRU pricing estimates, which represent the high case; 2) CRU pricing for CY25 and then annual growth in line with the long-term global GDP estimates sourced from the International Monetary Fund[43], which represents the pricing low case; 3) Potash prices up to CY33 estimated based on the rebasing methodologies with other crop commodities discussed in Section 9 plus real global GDP growth rate from that point onward; 4) The average of the above cases.

11.54 Exchange Rate - We have assumed a normalised flat assumption for the USD:EUR Exchange Rate over the LOM. Whilst we have assessed this assumption based on available historical and forecast data, we have sensitised it by +/- 2.5%.

11.55 Discount rate - We note that the valuation assessment of Highfield is highly susceptible to changes in our discount rate assessment. Accordingly, we have shown the sensitised values based on increasing / decreasing the adopted discount rate by 0.5%.

Funding of the Muga Project

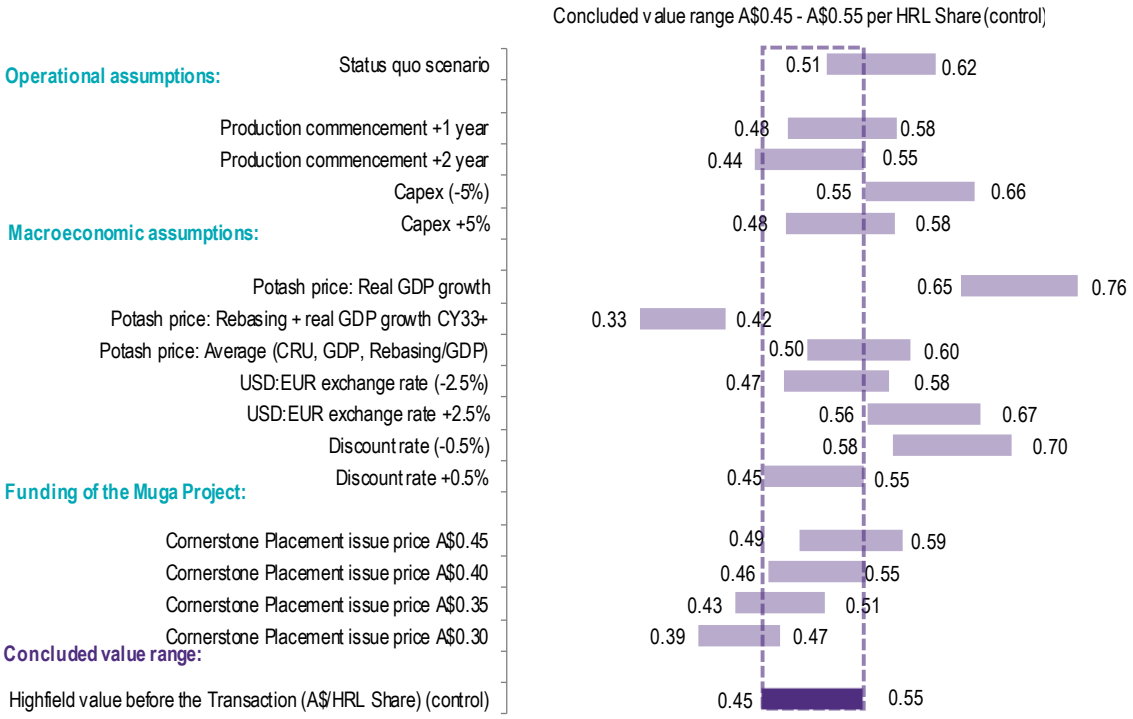
11.56 As discussed in the previous section, there is uncertainty, at the time of this IER, associated with the price at which HRL may be able to raise the equity to fund the construction of the Muga Project on a standalone basis. We have considered the issue price of the Cornerstone Placement at the high-end of the range and the prevailing trading prices before the Short Term Funding at the low-end of the range with increments of 5.0 cents between the two.

43 IMF World Economic Outlook (October 2024) - World Real GDP Growth

Summary of values

11.57 We have provided below a summary of our valuation assessment of HRL based on sensitising the assumptions outlined above.

Figure 63 - Valuation scenario and concluded value range of HRL before the Transaction per HRL Share



Source: GTCF analysis, SLR Report, Financial Model.

12. Valuation cross-check of Highfield before the Transaction

Potash Market Multiples

12.1 We have considered the reasonableness of our valuation assessment of Highfield before the Transaction by comparing the Potash Market Multiples[44] implied in our assessment of the enterprise value of Highfield before the Transaction with the Potash Market Multiples of the Comparable Listed Companies. The following table summarises the Potash Market Multiples implied in Grant Thornton's valuation assessment of Highfield before the Transaction under the DCF approach.

Figure 64 - Valuation cross-check of Highfield before the Transaction

Implied Reserve and Resource Multiples A$m (unless stated otherwise)	*Section Reference*	Low	High
EV of Highfield (before the Transaction)	*Section 11 / Note 1*	**264**	**328**
Metric: (Mt)			
Production (Ktpa)		800	800
Reserves		16.9	16.9
Resources (M+I)	*Section 6*	44.9	44.9
Resources (M+I+I)		52.6	52.6
Multiple (A$/Mt):			
EV/Production		330.0x	409.8x
EV/Reserves		15.6	19.4
EV/Resources (M+I)		5.9	7.3
EV/Resources (M+I+I)		5.0	6.2

Source: GTCF Calculations, Management.
Note: (1) Our concluded value range of A$0.45 to A$0.55 per HRL Share has been utilised to recalculate the implied enterprise value on a control basis and post-funding basis, assuming 628.6 million HRL Shares and adjusted for net cash and the value of Highfield's options. (2) Highfield estimates only includes JORC compliant reserves and resources.

12.2 For the purpose of the Potash Market Multiples cross-check, we have considered the Reserve Multiple, M+I Multiple and Resource Multiple of listed peers. In calculating Market Multiples, we have excluded comparable companies without JORC or NI 43-101 compliant Mineral Resources and Ore Reserves.

12.3 We are of the opinion that the Reserve Multiple is the most relevant for the cross-check of our valuation assessment of Highfield given that the Company is close to commencing production and it has focussed on developing the reserves underpinning the LOM. Notwithstanding this, we have also shown the M+I Multiple and Resource Multiple as a secondary cross-check.

Comparable Listed Company analysis

12.4 In the selection of comparable companies, we had regard to the stage in the mining life cycle (i.e., exploration/development/production), location of the assets, size of the ore deposit, grade of potash, level

44 Total Reserve Multiple, Total Resource Multiple and Measured and Indicated Resource Multiple.

of infrastructure, required capital expenditure, annual potash production, recovery rates, types of mines, cost structure and area of exploration tenements when making comparability assessments.

12.5 Highfield can be considered to be in the late development stage (or shovel ready) based on 1) the raising of €320.6 million senior secured project financing to fund the construction of the Muga Project 2) the receipt of binding agreements with institutional and strategic investors to raise equity to fund the remaining funding for Phase 1 of the Muga Project 3) the recently completed updated Muga Feasibility Study in November 2023 and 4) the receipt of all relevant mining, regulatory and environmental approvals. As a result, we have primarily relied on the Market Multiples of Comparable Listed Companies who are at a similar stage of development. Notwithstanding this, we have also assessed the Market Multiples of producing potash companies given Highfield is expected to commence construction shortly.

12.6 In the absence of a purely focused listed Spanish potash miner, we have expanded our Comparable Listed Companies to include companies with global operations and have assessed the comparability of these jurisdictions to Spain. Investors have historically valued mining companies with assets in developed countries like Australia and Canada at a premium in comparison to those with assets in emerging regions which are inherently more exposed to political, operational, social and security risks. Accordingly, we taken this into account in our valuation assessment, noting the limited number of European potash producers and the current supply deficit within the European market.

12.7 Below we have set out the Potash Market Multiples for the Comparable Listed Companies.

Figure 65 - Potash trading multiples of comparable peers

Potash Market Multiples analysis			Attributable (Mt)			EV Multiple (A$/Mt)		
Company	Geographic Area	EV (A$m)	R	M+I	M+I+I	R	M+I	M+I+I
Exploration / Development								
Kore Potash plc	United Kingdom	256	48	495	1,206	5.4	0.5	0.2
Western Resources Corp.	Canada	138	63	75	1,330	2.2	1.8	0.1
Gensource Potash Corporation	Canada	49	14	289	519	3.5	0.2	0.1
Median						**3.5**	**0.5**	**0.1**
Average						**3.7**	**0.8**	**0.1**
Producing - Intrepid	United States	506	3	247	271	192.6	2.1	1.9

Source: Company announcements, Capital IQ, Company presentations and websites, other publicly available information.
Notes: 1) Based on the market capitalisations as at 31 December 2024. 2) M+I = Measured plus Indicated, M+I+I = Measured plus Indicated plus Inferred, R = Reserves. 3) EV = Enterprise Value. 4) Where the Reserves and Resources of KCl (Mt) have not been explicitly stated, we have either 1) multiplied the total tonnes (Mt) by the quoted KCl grade (%) or 2) where the KCl grade (%) has not been quoted, multiple the total tonnes (Mt) by the K20 grade (%) to get K20 (Mt) and multiplied the resultant by 1.58303, in line with standard commercial practice (1% K20 equates to 1.58303% of KCl). 5) The Total Ore Reserves and Mineral Resources stated for Western Resources in the table above reflects its 46% interest in the Milestone Project as at the date of this Report. 6) The Total Ore Reserves and Mineral Resources stated in the table above for Kore Potash reflects its 90% interest in the Sintoukala Project as at the date of this Report. 7) Intrepid resource and reserve estimates include both potash and langbeinite.

12.8 In relation to the above, we note the following:

- The Market Multiples are calculated based on the trading price converted to A$ using the forex spot rates obtained from S&P Global as at 31 December 2024, adjusted for a control premium of 30%. Refer to Appendix D for further details on our control premium study.

- We have adjusted for the proportionate ownership interests of the respective companies in their projects.

- The exploration / development companies above are all at different stages of development and have different capital and funding profiles, however we note all appear to have recently struggled to secure financing to continue developing their flagship projects. We discuss each specific circumstance in further detail below.

- As outlined in Section 14, their level of liquidity is low and lower than HRL, which may undermine the ability to rely on their multiples in our cross check.

12.9 The Market Multiples of exploration and development companies can exhibit a wide range which, in our opinion, reflects the different operational, financing and capital risk profiles based on the various development stages. Specifically, this can include the risk of accessing construction finance, receiving necessary government approvals, construction risk and project timetables etc. Accordingly, we recognise that no potash mining company will be perfectly comparable to Highfield. Given that, the use of the Market Multiples presented in the table above provides only a cross check to our valuation analysis.

12.10 In our analysis of the Potash Market Multiples of the Comparable Listed Companies, we have focused on certain KPI's which, in our opinion, largely affect the Potash Market Multiples. We have summarised these in the table below.

Figure 66 - Key performance indicator analysis

KPI analysis Company	Flagship asset status	Reserve grade KCl (%)	Cash costs (US$/t)	Production (Ktpa)	Life of mine (years)	Pre-production capex (US$m)
Highfield Resources Limited	Construction ready	16.1%	108.0	1,000	30	817
Kore Potash plc	Pre-funding	25.3%	61.7	2,200	33	2,100
Western Resources Corp.	Construction commenced	nd	78.5	146	40	144
Gensource Potash Corporation	Construction ready	42.3%	61.4	250	40	254
Intrepid Potash, Inc.	Producing	31.7%	184.0	730	>100	n/m

Source: Public company announcements, Feasibility studies, GTCF analysis.
Notes: 1) The status of the flagship asset is based on the analysis conducted from GTCF and can be considered subjective. 2) Highfield's cash costs have been converted to US$ using a EUR/USD Exchange Rate of 1.11. 3) We have performed a reconciliation of the Comparable Listed Companies cash costs based on the breakdown of Highfield's reported C1 cash costs reported within the 2023 DFS, however, we note that not all cash costs within the Comparable Listed Companies are reported on an exact like for like basis.(4) Intrepid has a historical profile of production whereas the other Comparable Listed Companies are all exploration / development companies.

Kore Potash Plc

12.11 Kore is listed on the ASX via CDIs and its primary asset is its 90% interest in the Sintoukola potash project located in the RoC (10% owned by RoC government). The Sintoukola project comprises three deposits (DX, Kola and Dougou), with Kore primarily focused on the development of the Kola Deposit. A DFS was completed on Kola in January 2019, which described the Kola Deposit as a large low-cost potash asset with a nameplate production target of 2.2 Mtpa MOP over a 33-year life and C1 Costs of US$61.7/t, which is amongst the lowest cost quartile globally[45]. Further, the Kola Deposit has Total Ore Reserves of 152.4 Mt with an average grade of 32.5% and plans to market its product to Brazil (large net potash importer) and West Coast African markets (expected to become a high growth potash importer).

12.12 In April 2021, Kore signed a non-binding MoU with a consortium of investors to arrange the financing to fully-fund the construction of the Kola Project which required Kore to work with SEPCO to undertake an optimisation study to reduce Kola's capital costs. This was subsequently completed. In June 2022, the construction costs were estimated at c. US$1.8 billion over 40 months, broadly in line with the target of c.

45 Sourced from Kola Definitive Feasibility Study dated 29 January 2019.

US$1.7 billion within the DFS. Kore signed a construction HoA with SEPCO to construct the Kola project and was expected to receive an EPC contract proposal from SEPCO shortly after (August 2022). However, since then, Kore has experienced significant delays and challenges in securing an EPC contract proposal from SEPCO, including the requirement of further engineering design work (August 2023), resignation of Kore's Chief Executive Officer (October 2023) and multiple fundraising initiatives across the period to support additional technical analysis costs as well as working capital requirements. Kore received a proposed EPC contract in February 2024 and after further negotiations executed the EPC contract for the Kola Project in November 2024, albeit still subject to signing a full set of legally binding financial agreements. The EPC contract is a fixed-price contract of US$1.929 billion with a construction period of 43 months and includes, among other things, penalties in the event of delayed completion and non-compliance to performance metrics. Whilst the execution of the EPC represents a key milestone for Kore Potash, we note that there are still significant major milestone that need to be satisfied before the commencement of first production at the Kola Project, including, among other things, 1) signing a full set of legally binding financial agreements 2) completing the construction of the Kola Project using the allocated financing and based on the targeted timeline 3) securing a third-party operator to run the Kola Project and 4) achieving the pre-determined product quality specifications.

12.13 Having regard to the analysis above, we consider it reasonable for Kore to trade at a Reserve Multiple discount to Highfield given 1) the extensive delays in the receipt and finalisation of the EPC contract, 2) the non-binding nature of the construction financing for the Kola Project, 3) the absence of any off-take agreement for production at the Kola Deposit and 4) the geopolitical risk in the RoC, 5) the company only had a cash balance of US$1.3 million as at 30 September 2024 and requires significant funding, which it has struggled to secure. Although consisting of different characteristics to Highfield as detailed above, we consider the challenges faced by Kore to be indicative of some potential challenges that Highfield faces as they transition towards the start of construction, which we have considered within our discount rate assessment.

Western Resources Corp

12.14 Western Resources is listed on the Toronto Stock Exchange and is focused on the development of the large multi-phase potash project Milestone located in Saskatchewan, Canada. Western Resources completed a Feasibility Study on the Milestone Project in December 2012 which outlined an ultimate nameplate production target of 2.8 Mtpa MOP over a 40 year life and total KCI Reserves and Resources of approximately 137.3 Mt and 2,844 Mt respectively (on a 100% basis). Given such a project would require a multi-billion project financing package, Western Resources made the strategic decision in January 2016 to target a scalable model whereby the project will be developed in smaller phases[46], each with lower initial capex requirements. Phase 1 of the Milestone project is designed to produce 146 Ktpa MOP over a 12-year life and has total KCI Reserves of 10.3 Mt (on a 100% basis). Western Resources commenced construction on Phase 1 in June 2019, with planned completion by mid-2020, however, since then has incurred significant funding challenges and construction suspensions.

12.15 Notably, construction was suspended in May 2020 due to inadequate project financing and subsequently resulted in Western Resources selling down 54% in the Milestone Project to raise C$80 million equity from a strategic investor[47]. Construction re-started in June 2022 following cash proceeds received from the

46 Phase 1 is expected to produce 146 Ktpa, Phase 2 expected to produce an additional 150-250 Ktpa, Phase 3 and Phase 4 expected to product an additional 1.4 Mtpa each. Overall, this will allow for total steady-state production capacity of 2.8 Mtpa.

47 On 6 February 2024, Western Resources signed a subscription agreement with Vantage, in which Vantage has committed to make a strategic equity investment of CAD$80 million in WPHC, a newly formed company which, upon completion of a reorganisation, will own 100% of Western Resources and its Milestone Potash Project. As a result of the Subscription Agreement, Vantage will hold 54% interest of the issued and outstanding common shares of WHPC and Western Resources will hold the remaining 46% interest.

equity financing and an additional C$85 million loan facility (which included a 1.5% royalty on gross revenue)[48], however, operations were later suspended in May 2024 as the capital raised became insufficient to complete Phase 1 development. On 17 December 2024, Western Resources applied for a management cease trade order due to the anticipated delay in filing its audited annual financial statements and related management discussion as a result of its continuing financial hardship and securitisation of new investments.

12.16 Based on our analysis above, we consider it reasonable for Western Resources to trade at a discount Reserve Multiple to Highfield having regard to 1) its recent funding challenges, including selling down control of the Milestone Project to secure C$80 million of equity financing 2) the significant cost overrun and subsequent suspensions on Phase 1 construction and 3) the Total Ore Reserves and Resources reflecting the larger multi-billion potash project which, in our opinion, is unlikely to be fully priced into the trading prices of Western Resources based on the funding challenges and suspension on construction/operations for the smaller Phase 1. We consider the above to reflect some of the challenges Highfield may face as they proceed towards construction, including capex overruns compared to estimates. We have considered this risk within our valuation scenarios in Figure 63.

Gensource Potash Corporation

12.17 Gensource is listed on the TSX Venture Exchange in Canada and owns 100% of the Vanguard Area and Lazlo Area, covering a combined circa 200,000 acres of subsurface mineral rights available for mining. Gensource is primarily focused on the multi-module Tugaske Project located in Saskatchewan, Canada. The Tugaske Project has a large and high-grade mineral base with Total Ore Reserves of 34.0 Mt at a KCl grade of 42.3%.

12.18 Gensource completed a Bankable Feasibility Study for the Module 1 of the Tugaske Project in February 2018, which was subsequently updated in October 2021 and outlined nameplate production of 250 Ktpa MOP over a 56-year life at a C1 Cash Cost of US$47.6/t. Gensource anticipates to add several modules over the course of the next decade with the potential to become a 3 Mtpa MOP producer (each module expected to produce 250-270 Ktpa MOP). In September 2021, Gensource secured a C$280 million senior debt facility to fund approximately 60% of the Module 1 construction costs, with the remaining C$190 million to be funded via equity (less the C$50 million committed by the off-taker, contingent on the remaining equity funding to be successfully completed)[49]. In order to fund the operations and additional technical studies required until the remaining equity funding was raised, Gensource has undertaken several dilutive private placements since 30 September 2021 (cash balance of C$862k) for aggregate proceeds of C$16 million. Despite this, Gensource has been unsuccessful in advancing negotiations for the remaining equity funding and will require additional funding in the near term to operate as a going concern based on its cash balance of C$21.7k and working capital deficiency of C$11.7 million as at 30 September 2024.

48 On 29 April 2024, Western Resources entered into a CAD$85 million loan facility financing transaction with Appian Capital Advisory LLP. The terms of the loan included the grant of a 1.5% royalty based on the gross revenue of the Phase 1 Project to Appian and the issuance of 20,774,030 warrants, which will allow Appian, after exercise to acquire a 9.9% interest in Western Resources on a post-transaction basis.

49 In May 2018, Gensource executed a definitive binding off-take agreement with HELM to purchase 100% of the Tugaske project production for 10 years. The off-take agreement with HELM also allows for further possible renewals after the initial 10 years and stipulates that HELM will market the MOP directly to its customers using its own infrastructure. On 2 September 2021, HELM committed to invest CAD$50 million into the 250 Ktpa Module 1, contingent on the remaining equity and debt financing being successfully completed.

12.19 Having regard to the analysis above and on a similar basis to Kore, we consider it reasonable for Gensource to trade at a Reserve Multiple discount to Highfield given the significant funding issues they currently face.

Producing Comparable Listed Companies and Intrepid Limited

12.20 Whilst we have also analysed producing Comparable Listed Companies, we do not consider these to be relevant for Highfield, apart for Intrepid Potash (discussed below), given they are all global agriculture businesses with diversified operations.

12.21 Intrepid is listed on the New York Stock Exchange and is the only producer in the United States solely dedicated to the production of potash and sulphate of potash fertilizers. Incorporated in January 2000 to acquire the producing Moab mine, Intrepid has a number of producing projects. The company's primary revenue generation is from their potash division, which accounted for 56% of their 2023 revenue. The other two business divisions are Trio, which accounted for 37% of 2023 revenue and produces langbeinite (a potassium magnesium form of potash, which is a fertiliser chloride and delivers potassium, sulphur, and magnesium in a single particle typically used for chloride-sensitive fruit and vegetable crops), and oilfield solutions, accounting for 8% of 2023 revenue, which includes oil and gas activity in New Mexico. Potash operations now consist of three mines[50], with annual production of 224k of potash in 2023 and expected production of between 280-290k in 2024[51]. Total annual production capacity is estimated to be 330k for the potash mine and 400k estimated production capacity in the Trio division.

12.22 The potash resources and reserves of Intrepid are part of a 25-year mine plan prepared by Agapito Associates in February 2022. The company is trading at a very high reserves multiple and very low resource multiple. We believe this is due to the following:

- The reserves are low as the company has a policy of updating them every five years and so as it progresses through production, the reserves are depleted but only replenished at five-year interval.

- Intrepid's annual production of potash was 224k in 2023, between 280-290k forecast in 2024[52] and its maximum production capacity is 330k per annum for potash and 400k for the Trio product. Intrepid has measured and indicated resources of 247 Mt, which based on the current maximum production capacity for potash and Trio will last for over 330 years. It is obvious that the Intrepid's resource base is significantly in excess of the resources which are valuable and valued by the market and incorporated into its market capitalisation. From a net present value perspective, resources expected to be exploited after 30 years have substantially nil value. On the flip side, HRL has measured and indicated resources of 44.9 Mt and an annual production rate of 1 Mtpa. If we adjust the M&I resources of Intrepid to reflect say a 50 year mine life at the current maximum production rate, the M&I resource multiple increase from A$2.1/Mt to c. A$14/Mt53. We are of the opinion that this premium compared with the M&I Resource Multiple of HRL is reasonable and support our valuation assessment given that Intrepid is a multi-asset producing company whereas HRL is still seeking to finalise its funding to commence construction, with production only expected to commence in 2028.

50 Wendover is a brine recovery mine.

51 November 2024 investor presentation.

52 November 2024 investor presentation.

53 Calculated as the enterprise value divided by M&I resources calculated by multiplying the maximum current annual production of 0.730 Mtpa by 50 years assumed LOM.

Conclusion on the implied multiples

12.23 As set out in the section above, whilst we have sought to undertake a cross check of our valuation assessment based on the Resource and Reserve Multiples, there are several limitations with the listed peers which undermine the reasonableness of the approach and accordingly we are not in a position to draw any relevant conclusions.

12.24 Given our valuation assessment of the Muga Project on a pre-funding basis is largely unchanged before and after the Transaction, we consider the analysis above to be applicable as a cross-check for our valuation assessment of the Muga Project after the Transaction.

13. Valuation assessment of HRL Group after the Transaction

13.1 In assessing the fair market value of HRL after the Transaction (HRL , Grant Thornton Corporate Finance has aggregated the following:

- The fair market value of the Muga Project on a post funding basis.
- The fair market value of the Southey Project based on the Resource Multiples as assessed by SLR.
- The fair market value of other resources and exploration potential outside the Muga Project LOM as assessed by SLR, which is unchanged compared with the valuation before the Transaction.
- The net present value of the estimated future corporate costs of the HRL Group, on a post-tax basis.
- The dilution for existing HRL Shareholders arising from the issue of HRL Shares under the Cornerstone Placement and as consideration for the Southey Acquisition.
- The pro-forma cash balance at completion of the Transaction, net of transaction costs.
- The application of a minority discount.

DCF Method: Muga Project after completion of the Transaction

13.2 Our valuation assessment of the Muga Project after the Transaction is based on the same cash flow assumptions and forecast potash and salt prices and exchange rates utilised in our valuation assessment of Highfield before the Transaction. The only difference between our valuation assessment of the Muga Project before and after completion of the Transaction relates to our discount rate assessment.

Discount rate

13.3 For the purpose of assessing the fair market value of the Muga Project after completion of the Transaction, we have adopted a discount rate between 9.8% and 10.6% (real basis). This compares to the discount rate adopted in our valuation assessment of the Muga Project before the Transaction of between 10.4% and 11.1% (real basis).

13.4 The movement in our discount rate assessment for the Muga Project before the Transaction and after completion of the Transaction is a result a reduction in the adopted asset beta decreasing from between 1.30 and 1.40 to between 1.20 and 1.30. We consider this small reduction reasonable given that the Muga Project after the Transaction is fully funded and as a result the HRL Group is able to develop the Muga Project towards Phase 1 of construction.

13.5 Notwithstanding the outstanding hurdles and risks associated with the construction and operation of the Muga Project, in our opinion, securing this key funding represents a significant milestone as it brings it one step closer towards becoming a producing mine. In addition, we note that the investors involved with the Cornerstone Placement, such as Yankuang Energy, are globally recognised and reputable firms within the industry, which we consider increases investors' confidence on the execution of the Group through Phase 1 of construction and thereby towards production. Having regard to the lower average asset beta observed

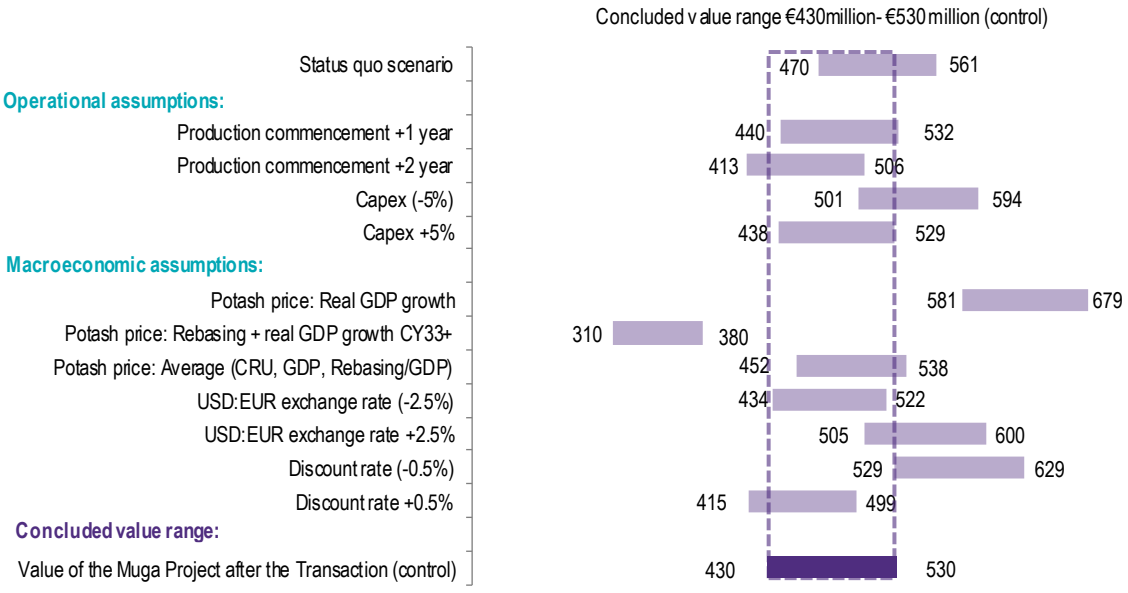
for potash producing listed companies compared to exploration and development potash listed companies (0.85 versus 1.25 respectively), we consider the reduction in the adopted asset beta within our discount rate assessment for the Muga Project after completion of the Transaction to be reasonable.

Summary value of the Muga Project after the Transaction

13.6 On a similar basis to our valuation assessment of Highfield before the Transaction, there are a number of key assumptions which have a material impact on the value of the Muga Project which are difficult to predict with a high degree of certainty as most of them depends on endogenous factors which are outside the control of the Company. In order to consider scenarios by sensitising these key assumptions, we must first arrive at a value scenario considered to be the Status Quo case, which reflects CRU price forecasts, production commencing in line with the Company's expectation and capex as advised by SLR. The sensitised assumptions are unchanged from our valuation of the Muga Project before the Transaction apart from the capital raising prices to fund the development of the Muga Project, where we have instead reflected the terms of the Cornerstone Placement.

13.7 Below we have provided a summary of our valuation assessment of the Muga Project after the Transaction sensitising the key assumptions mentioned above.

Figure 67 - Valuation scenario and concluded value range for the Muga Project after completion of the Transaction



Source: GT Model, GTCF analysis.

13.8 The table below summarises our valuation assessment of the Muga Project before and after completion of the Transaction. The valuation uplift is driven by the reduction in the asset beta and discount rate discussed above.

Figure 68 - Comparison of the assessed value of the Muga Project before and after completion of the Transaction

Valuation Summary €'million (unless stated otherwise)	*Section Reference*	Low	High
Value of the Muga Project before the Transaction (control)	*11*	359.6	437.3
Value of the Muga Project after the Transaction (control)	*13*	430.0	530.0
Value uplift (%)		**19.6%**	**21.2%**

Sources: GT Model, GTCF analysis.
Notes: 1) Our concluded value range of A$0.45 to A$0.55 has been utilised to recalculate the value of the Muga Project before the Transaction on a control and pre-funding basis, assuming 628.6 million HFR Shares, adjusted for net cash and value of the HRL options, the AUD:EUR Exchange Rate, the assessed theoretical dilution of c. 47.8%, the net present value of the corporate costs and the value of the other mineral assets.

SLR valuation: Southey Project

13.9 As discussed in the Methodologies Section, Grant Thornton Corporate Finance has engaged SLR to assess the fair market value of the Southey Project, comprising the value of the Mineral Resources at the Southey Project and the Other Southey Project Claims. For the purpose of the valuation assessment, SRL relied upon comparable transaction analysis.

13.10 In valuing the Mineral Resources at the Southey Project, SRL utilised a US$/t K2O metric based on comparable transactions that have occurred involving potash property in Saskatchewan as the target. The comparable transactions were based on a metric range between US$0.15 to US$0.30 per tonne of K_2O. SLR assumed that any property within the Southey Project could be explored and that any economic deposits discovered could be permitted for development under the regulatory framework in the Province of Saskatchewan. We have detailed the key assumptions utilised by SLR within this approach:

- Comparability factors were assessed when determining the compatibility of each transaction to Southey including the geology, mineralization, stage of exploration and results, mineral resources, location and geography, and political jurisdiction.

- SLR identified a limited number of comparable potash transactions, based on the information obtained in the public domain and proprietary intelligence, subsequently extending the search period back to 2008. All historical metrics have been normalised based on the current Potash prices.

- 14 transactions were initially identified on potash properties across Canada, USA, Ethiopia, UK, Kazakhstan and Russia, however this was reduced to six transactions after consideration of the comparability factors of exploration / development stage, geography comparability and non-political geographies. The final six transaction utilised in SLR's analysis are all located within the Elk Point Basin which underlies most of southern Saskatchewan and adjacent provinces and states.

13.11 Overall, SRL assessed the fair market value of the Mineral Resources at the Southey Project between US$149.0 million and US$297.0 million. We note that SRL's valuation assessment is not an in situ or in ground valuation of the Mineral Resources (as described in Clause 51 of the JORC Code 2021), rather a project-wide valuation that takes into consideration all modifying factors, as applicable.

13.12 In valuing the Other Southey Project Claims, SLR relied on a US$/ha metric based on comparable transaction analysis involving properties without Mineral Resources. Only three application transactions were identified for potash properties in Canada, all in Saskatchewan. Similar to other transactions utilised by SRL, these metrics have been normalised for current potash prices compared to at the transaction

date. SLR have recommended a range of between US$100/ha to US$200/ha for the other properties held by the Southey Project without Mineral Resources. Overall, SRL assessed the fair market value of the Other Southey Project Claims between US$10.1 million and US$20.2 million. We note that SLR's valuation assessment is not an in situ or in ground valuation of the Other Southey Project Claims (as described in Clause 51 of the JORC Code 2012), rather a project-wide valuation of the mineral tenures outside the Southey area that takes into consideration all modifying factors, as applicable.

13.13 In the table below, we have summarised SLR's fair market valuation assessment of the Southey Project.

Figure 69 - SLR valuation assessment of the Southey Project

SLR valuation of the Southey Project US$m (unless stated otherwise)	Low	High
Southey Project Mineral Resources	149.0	297.0
Other Southey Property Claims	10.1	20.2
SLR valuation of the Southey Project	**159.1**	**317.2**
Exchange Rate (AUD/USD)	0.64	0.64
SLR valuation of the Southey Project (A$m)	**248.6**	**495.6**
Exchange Rate (EUR/AUD)	1.64	1.64
SLR valuation of the Southey Project (EUR$m)	**151.6**	**302.3**

Source: SLR report.

13.14 SLR assessed the value of the Southey Project in US$. We have converted the US$ value to A$ using the USD:AUD Exchange Rate. As the assessed EUR$ value will be converted straight into A$ value to assess the value of Highfield after the Transaction in A$, we have used an inverse of the AUD:EUR Exchange Rate to assess the value in EUR$.

13.15 As discussed in the SLR Report, the broad value range for the Southey Project is indicative of the uncertainty associated with early-stage exploration assets and is primarily driven by the confidence limits placed around the size and grade of mineralised occurrences assumed within each prospective area.

Other valuation items

Corporate costs

13.16 Our valuation assessment of the Muga Project does not include the corporate expenses relating to head office costs, ASX listing fees, Directors, management and centralised functions. Further, SLR's valuation of the Southey Project does not include the corporate costs necessary to preserve the Mineral Resources until commencement of production.

13.17 Having regard to this, we have increased the corporate cost range adopted in our valuation before the Transaction by between C$2.5 million and C$3.0 million (equivalent to €1.7 million and €2.0 million respectively[54]) based on the corporate costs of Yancoal Canada in CY24. Given the value of the Southey Project has been assessed based on the resource multiple rather than the net present value of the future cash flows, we have only reflected the additional corporate costs for the Southey Project until development is expected to commence which we have assumed between five and ten years. The value of the corporate costs has been assessed on a post-tax basis having regard to the WACC range discussed above.

54 Based on the 30-day average EUR:CAD exchange rate of 0.67 as at 31 December 2024 sourced from the Bank of Canada.

Other mineral assets

13.18 There is no movement in the value attributed to the resources and exploration of Highfield outside of the Muga Project, when compared to the valuation assessment of Highfield before the Transaction.

Dilution from the Cornerstone Placement

13.19 After completion of the Transaction, we have reflected in our valuation the dilutionary impact of the Cornerstone Placement rather than running a number of scenarios on the potential capital raising price as we have undertaken before the Transaction.

Net cash

13.20 As discussed in Section 11, Highfield had a pro-forma net cash balance before the Transaction of c. A$19.4 million, which includes the proceeds expected from the completion of the Conditional Placement, net of transaction costs. Management has estimated total transaction costs as a result of the completion of the Transaction at US$12.0 million (equivalent to c. A$18.8 million). Below we have set out the pro-forma net cash balance of the Group after the Transaction. We note that whilst the Company will raise US$220 million as part of the Transaction, this cash is required to develop the Muga Project and accordingly it is not considered surplus. The cash raised is incorporated in the fair market value of the Muga Project which includes 100% of the cash flows expected to be generated from the project rather than only being pro-rated adjusted for the proportion of the cash flows being retained by the existing shareholders as per our valuation assessment before the Transaction.

13.21 We have been informed that the cash balance of Yancoal Canada as of 31 December 2024, approximately C$19.3 million, will primarily be depleted by interest payments and other authorised expenditures prior to completion, apart from the accrued interest in relation to the Yancoal Canada Shareholder Loan of c. US$3.6 million (equivalent to c. A$5.7 million) which will be on balance sheet at completion of the Transaction.

Figure 70 - Pro-forma net surplus cash balance of the Group after the Transaction

Pro-forma net cash balance of the Merged Group after the Transaction A$'000s	
Pro-forma net cash balance of HRL before the Transaction	19,374
Add: Pro-forma net cash balance of Yancoal Canada at completion of the Transaction	5,660
Less: Transaction costs	(18,750)
Pro-forma net cash balance of the Merged Group after the Transaction	**6,284**

Source: Management, GTCF analysis.

Shares outstanding

13.22 Following the Transaction, the Muga Project is fully funded to completion of construction. Consequently, the adjustment for anticipated future dilution, which was considered in Highfield's valuation prior to the Transaction, has taken effect. Specifically, as part of the Cornerstone Placement, HRL will issue 1) 687,500,000 HRL Shares at A$0.50 per HRL Share 2) 895,078,172 HRL Shares at the same price for the acquisition of Yancoal Canada and 3) 11,319,974 HRL Shares at the same price to settle the accrued interest associated with the Yancoal Canada shareholder loan. We have presented the movements in share capital of HRL from before the Transaction as a result of the Transaction below.

Figure 71 - HRL capital structure after the Transaction

Total number of HRL Shares after the Transaction	*Section Reference*	
Total number of HRL Shares before the Transaction (diluted)	*11*	628,564,201
Add: HRL Shares to be issued for the Cornerstone Placement	*3*	687,500,000
Add: HRL Shares to be issued for the Southey Acquisition	*3*	895,078,172
Add: HRL Shares to be issued to settle accured interest on Yancoal Canada's shareholder loan	*3*	11,319,974
Total number of HRL Shares after the Transaction (diluted)		**2,222,462,347**

Source: GTCF analysis, Highfield ASX Announcements.

Summary of values

13.23 Having regard to the above, we have set out our valuation assessment of Highfield after the Transaction in the table below.

Figure 72 - Valuation assessment of Highfield after the Transaction

Valuation Summary €'million (unless stated otherwise)	*Section Reference*	Low	High
Muga Project[1]	*13*	430.0	530.0
Southey Project	*13*	151.6	302.3
Add: Valuation of other resources and exploration	*13*	0.6	1.7
Less: NPV HRL corporate costs	*13*	(33.9)	(27.6)
Enterprise value		**548.4**	**806.4**
Exchange Rate (AUD/EUR)	*10*	0.610	0.610
Enterprise value (A$m)		**899.0**	**1,321.9**
Less: HRL unlisted options (A$m)	*13*	(0.5)	(1.0)
Add: Net surplus cash after the Transaction[2] (A$m)	*13*	6.3	6.3
Equity value of HRL after the Transaction (A$m)		**904.8**	**1,327.2**
Total number of HRL Shares outstanding after the Transaction (millions)	*13*	2,222.5	2,222.5
Assessed value per HRL Share after the Transaction (A$/HRL Share) (control basis)		**0.41**	**0.60**
Minority Discount (%)	*Appendix D*	(23.1%)	(23.1%)
Assessed value per HRL Share after the Transaction (A$/HRL Share) (minority basis)		**0.31**	**0.46**

Source: S&P Global, GTCF analysis
Notes: 1) Muga Project - the fair market value is based on the selected value from our scenario analysis based on different production commencement dates, capex, potash prices and other sensitivities. 2) Net Cash Balance - Whilst the Company has raised US$220 million, this cash is required in order to develop the Muga Project and accordingly it is not considered surplus. The cash raised is incorporated in the fair market value of the Muga Project which includes 100% of the cash flows expected to be generated rather than only being pro-rated for the proportion of the cash flows being retained by the existing shareholders before the capital raising as per our valuation assessment before the Transaction. 3) Minority Discount - calculated as the inverse of the control premium of 30%. Refer to Appendix D for further details on our adopted control premium

14. Quoted Security Prices

Introduction

14.1 We have also taken into account the trading prices of listed securities on the ASX. Generally, our analysis includes evaluating the trading prices before and after the Transaction. However, it is challenging to ascertain when the trading prices and investors started to reflect the terms of the funding, as information regarding the potential funding was anticipated by the market and progressively disclosed by the Company over an extended period. Specifically, we note the following:

- On 30 April 2024 - HRL announced that it was actively negotiating funding with a number of investors and it was expected to conclude them in Q2 2024.
- On 25 June 2024 - The Company indicated that it was continuing to progress with the negotiations with potential investors and now expected to conclude them in Q3 2024.
- On 19 July 2024 - HRL disclosed the entering into a non-binding Letter of Intent and Cooperation with Yankuang Energy and a number of other strategic investors in relation to the Cornerstone Placement for US$220 million, however the issue price was not disclosed, and the acquisition of the Southey Project, without releasing the purchase price.
- On 24 September 2024 - the binding terms of the Cornerstone Placement and the Southey Acquisition were disclosed to the market.

14.2 Since the initial announcement, changes in market conditions, including potash prices, exchange rates, interest rates, and overall market dynamics have occurred which makes it challenging to establish a clean demarcation line to isolate the impact of the Transaction terms. Accordingly, our analysis is similarly applicable to the valuation of HRL before and after the Transaction.

14.3 The adopted value of Highfield based on the trading price is an exercise of professional judgement that takes into consideration the depth of the market for the listed securities, volatility of the market price and whether or not the trading price are likely to represent the underlying value of Highfield. The following sections detail the analysis undertaken in selecting the share price range.

Liquidity analysis

14.4 In accordance with the requirements of RG 111, we have analysed the liquidity of HRL Shares before relying on them for the purpose of our valuation assessment. We have set out below the monthly trading volume of HRL Shares during 2024 as a percentage of the total shares outstanding, as well as free float shares outstanding.

Figure 73 - Liquidity Analysis

Liquidity Analysis - HFR Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of total shares	Cumulative Volume traded as % of total shares	Volume traded as % of free float shares	Cumulative Volume traded as % of free float shares
Jan 2024	3,635	0.3491	1,269	0.9%	0.9%	1.9%	1.9%
Feb 2024	4,128	0.3400	1,403	1.1%	2.0%	2.2%	4.1%
Mar 2024	5,529	0.4017	2,221	1.4%	3.4%	2.9%	7.0%
Apr 2024	7,094	0.3369	2,390	1.8%	5.2%	3.6%	10.5%
May 2024	4,080	0.3178	1,297	1.0%	6.2%	2.0%	12.6%
Jun 2024	3,788	0.3111	1,178	1.0%	7.2%	1.9%	14.5%
Jul 2024	3,592	0.2902	1,042	0.9%	8.1%	1.8%	16.3%
Aug 2024	1,518	0.3194	485	0.4%	8.5%	0.8%	17.0%
Sep 2024	2,436	0.3094	754	0.6%	9.1%	1.2%	18.2%
Oct 2024	12,794	0.2683	3,433	2.8%	12.0%	4.9%	23.2%
Nov 2024	5,417	0.2759	1,494	1.1%	13.1%	2.0%	25.2%
Dec 2024	3,156	0.2457	775	0.7%	13.7%	1.1%	26.3%
Min				**0.39%**		**0.76%**	
Average				**1.15%**		**2.19%**	
Median				**1.00%**		**1.94%**	
Max				**2.83%**		**4.94%**	

Source: S&P Global, GTCF analysis

14.5 With regard to the above analysis, we note that:

- The level of free float for Highfield is at c. 57.34%[55]. The free float of the Company is somewhat limited by the concentrated HRL Shareholder base with the five largest shareholders of Highfield owning c. 40% of the issued capital. We note that the level of free float is similar to that of the exploration and development Comparable Listed Companies, however slightly below the average and median of producing Comparable Listed Peers. From January 2024 to January 2025, only 26.3% of the free float of HRL Shares were traded with an average monthly volume of 2.19% of the total free float HRL Shares, indicating a low level of liquidity.

- Between February and April, Highfield experienced a relatively higher level of trading which we consider may be driven by HRL's announcement of signed contracts for the construction of the declines and underground mining infrastructure at the Muga Project. The higher level of trading may have also been driven by HRL announcements of CY23 results in March 2024.

- During October 2024, Highfield experienced a significantly higher level of trading which we consider may be driven by the completion of its share purchase plan together with the completion of the issuance of a further US$4.0 million (equivalent of c A$ 6.3 million) worth of new HRL Shares. The higher level of trading may have also been driven by HRL announcement in the Goyo mining concession, which stated that there had been a procedural flaw in relation to the granting of the mining concession.

14.6 As set out below, we have benchmarked the liquidity of Highfield with the Comparable Listed Companies. Noticeably, the level of free float of HRL shares is above the median and average of the Comparable

[55] Source: S&P Capital IQ - date 31 December 2024.

Listed Companies, however still remains below the average and median of the producing Comparable Listed Companies.

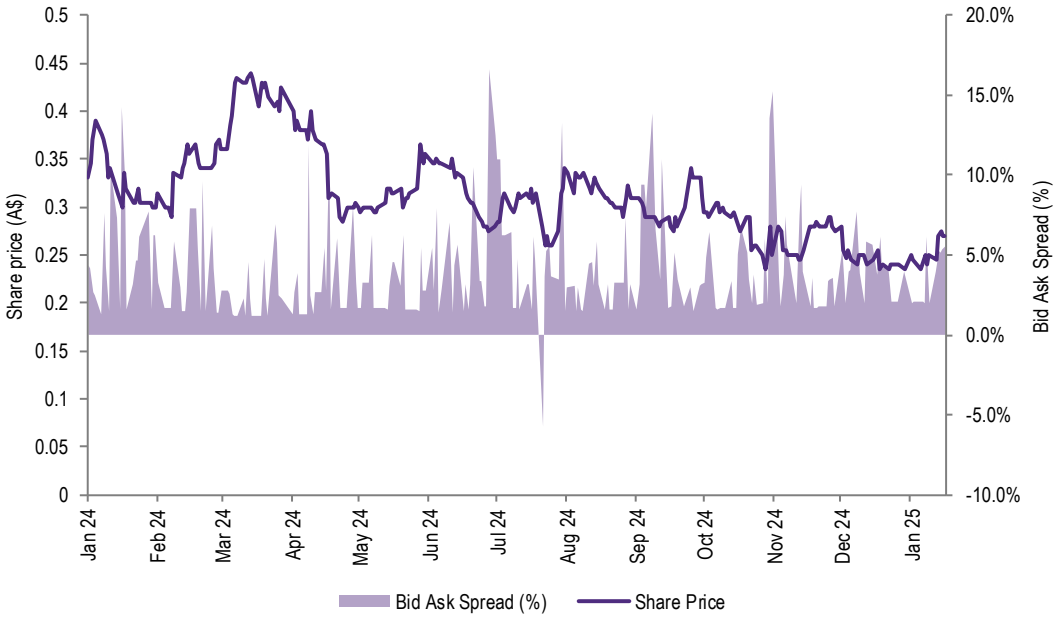
Figure 74 - Highfield liquidity benchmarking

Liquidity analysis			Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Company	Geography	Free Float				
Highfield Resources Limited	Spain	57.3%	1.1%	2.2%	13.7%	26.3%
Exploration / Development						
Kore Potash plc	United Kingdom	27.3%	0.4%	1.7%	5.3%	20.0%
Western Resources Corp.	Canada	19.5%	0.2%	0.9%	2.1%	10.6%
Gensource Potash Corporation	Canada	91.4%	0.2%	0.3%	2.8%	3.0%
Agrimin Limited	Australia	63.6%	0.2%	0.3%	2.6%	4.1%
Average		**50.5%**	**0.3%**	**0.8%**	**3.2%**	**9.4%**
Median		**45.4%**	**0.2%**	**0.6%**	**2.7%**	**7.4%**
Producing						
Nutrien Ltd.	Canada	99.9%	3.3%	3.3%	39.7%	39.7%
The Mosaic Company	United States	99.3%	11.4%	11.5%	136.6%	137.6%
ICL Group Ltd	Israel	55.9%	0.7%	1.2%	8.2%	14.6%
Intrepid Potash, Inc.	United States	66.3%	6.0%	9.1%	72.2%	109.1%
K+S Aktiengesellschaft	Germany	96.9%	3.7%	3.8%	43.9%	45.4%
Yara International ASA	Norway	57.1%	1.7%	3.0%	20.5%	35.9%
Average		**79.2%**	**4.5%**	**5.3%**	**53.5%**	**63.7%**
Median		**81.6%**	**3.5%**	**3.5%**	**41.8%**	**42.5%**

Sources: S&P Global, GTCF analysis

14.7 Where a company's shares are relatively illiquid and not heavily traded, the market typically observes a difference between the 'bid' and 'ask' price for the shares as there may be a difference in opinion between the buyer and seller on the value of the shares. We have set out below the bid-ask spread of Highfield since January 2024.

Figure 75 - Highfield Bid-Ask Spread since January 2024.



Source: S&P Global, GTCF analysis

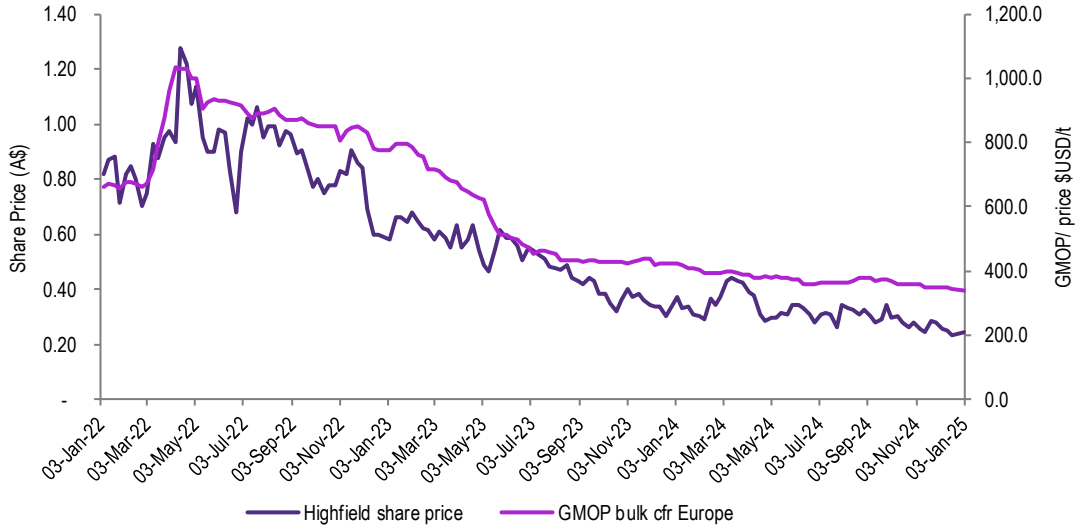
14.8 As set out in the graph above, we note that the historical average and median bid-ask spread has been 4.0% and 3.1%, respectively. Whilst the bid-ask spread has been significant historically, with spikes between c. 11.0% and 17.0%, we note that the spread increased leading up the announcement of the non-binding Letter of Intent for Cooperation with Yankuang Energy, indicating potentially a low level of liquidity. Since the announcement the bid as spread has remained elevated.

14.9 Although there are liquidity limitations with Highfield trading prices, we have analysed the trading prices of HRL since January 2022 to provide a high-level cross-check to our valuation.

Analysis of the trading prices

14.10 To obtain a greater insight and understanding of Highfield's trading prices and industry wide trends, we have compared Highfield's trading price with the GMOP bulk cfr Europe prices between January 2022 and January 2024. We consider these GMOP prices to reflect an appropriate benchmark that would influence the trading prices of Highfield.

Figure 76 - Historical GMOP Europe/ prices and Highfield trading prices from January 2022



Source: S&P Global, GTCF analysis

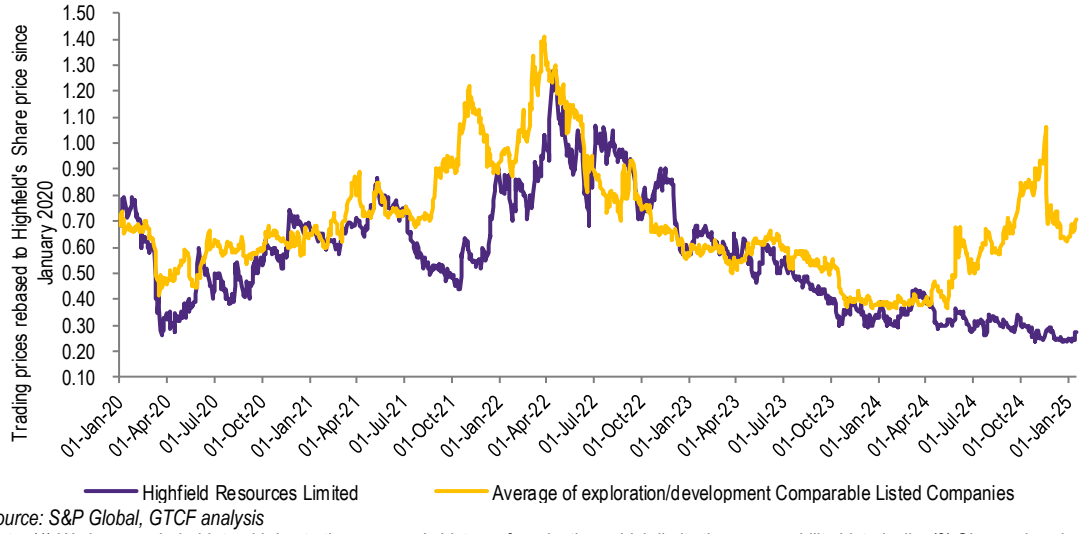
14.11 Since the beginning of 2022, the trading prices of HRL Shares have moved in line with GMOP price index, spiking during 2022 due to increased demand following government concerns over food security during the COVID-19 pandemic and economic sanctions imposed on Belarus during the commencement of the Russia-Ukraine conflict, which fuelled concerns around potash supply. During 2022, Highfield was well positioned to benefit from these economic and trade sanctions on Belarus and Russia, due to Highfield's independent position outside of the highly concentrated supply regions of Belarus/Russia and Canada. GMOP prices and Highfield's trading price have subsequently normalised back to the previous level, as market constraints have eased and Highfield continues to provide updates on the progress of the Muga Project.

14.12 Immediately after the announcement of the Transaction in July 2024 up until August 2024, the trading prices of HRL Shares increased, resulting in greater volatility than the GMOP price index. Towards the end of September, the trading price of HRL Shares spiked following the announcement of the completion of the conditional component of its institutional placement of new fully paid ordinary shares in Highfield.

14.13 Since March 2024, GMOP prices have decreased as they continue to normalise back to previous levels before the COVID-19 pandemic and the Russia-Ukraine conflict, which fuelled concerns around potash supply. The trading price of HRL Shares followed a similar trend to the GMOP prices since October 2024.

14.14 We have also set out below, the performance of HRL Shares compared with the average of exploration/ development Comparable Listed Companies, rebased to HRL Share price since January 2020. However, we note there may be certain limitations to the comparison of Comparable Listed Companies due to the data set being limited to three exploration/development Comparable Listed Companies.

Figure 77 - HRL Share price performance relative to the average of the Comparable Listed Companies



Source: S&P Global, GTCF analysis
Note: (1) We have excluded Intrepid due to the company's history of production, which limits the comparability historically. (2) Share prices have been rebased to HRL Share price on 02 January 2020.

14.15 Between January 2020 and June 2021, HRL Share price was largely consistent with the average share price of exploration/development Comparable Listed Companies. During the second half of 2021, HRL trading price dropped below the average of the exploration/development due to a significant increase in Gensource's share price driven by company specific factors, which skewed the average of the three exploration/development Comparable Listed Companies. We note that excluding Gensource, Highfield's share price decreased in line with the median of the exploration/development Comparable Listed Companies, likely driven by Covid-19, which caused operational challenges and increased costs across the industry. Towards the end of 2021, HRL Share prices significantly increased, which was likely due to company announcements such as an updated ore reserve estimate for the Muga Project in November 2021 and an updated Muga Project feasibility study during December 2021.

14.16 During 2022, HRL Share price significantly increased along with the average share price of exploration/development due to the spike in potash prices as mentioned above. Following the spike in potash prices, HRL Share price moved significantly in line with the average share price of exploration/development Comparable Listed Companies up until April 2024.

14.17 Since April 2024 and leading up to the announcement of the Transaction, HRL Share price traded below the average of exploration/development Comparable Listed Companies which may be due to company announcements, such as the March 2024 Quarterly Activities Report which announced there were no significant exploration activities during the quarter and increased expenditure relating to general admin costs, financial advisory and consultants' fees, as well as engineering and expenditure to advance the Muga Project. The difference to the average of the exploration/ development Comparable Companies share prices, was also driven by a significant rise in Kore's share price during May 2024, which has caused a large increase in the average share

14.18 Since the announcement of the transaction, HRL Share price has dropped below the average of the exploration/development Comparable Listed companies, mainly due to a large increase in Kore's share price driven by company specific factors, which increased the average of the three exploration/development Comparable Listed Companies. Excluding Kore, HRL share price moved relatively in line with the other exploration/development Comparable Listed Companies. During this period HRL Share prices, may have also been impacted by company announcements such as the update on the

Goyo Mining Concession, which stated a procedural flaw in the internal administrative coordination process had been identified in relation to the granting of the mining concession.

Conclusion on the trading prices

14.19 Refer to the executive summary for details.

15. Sources of information, disclaimer and consents

Sources of information

15.1 In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual reports / consolidated accounts of HRL for CY22, CY23 and CY24.
- Consolidated accounts of Yancoal Canada for CY23 and CY24.
- Updated 2023 Feasibility Study.
- SLR Technical Specialist Report.
- Muga Financial Model provided by Management.
- Access to other relevant documents in the Data Room.
- Transaction databases such as S&P Global Capital IQ and Mergermarket.
- IBISWorld.
- Other industry reports provided by the Company.
- Various broker reports for the listed peers.
- Other publicly available information.

15.2 In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of Highfield and its advisers.

Limitations and reliance on information

15.3 This report and opinion are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

15.4 Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

15.5 This Report has been prepared to assist the Directors of Highfield in advising the Highfield Shareholders in relation to the Transaction. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Transaction is in the best interest of Highfield Shareholders.

15.6 Highfield has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

Consents

15.7 Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting to be sent to Highfield Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

15.8 The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses. This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

15.9 An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model. Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

15.10 The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

15.11 Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

15.12 The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction. Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Discount rate

Introduction

The cash flow assumptions associated with the Muga Project have been prepared on a real, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates and adjusted for inflation to get a rage of real-post tax discount rates, for the purpose of valuing the Muga Project.

Whilst the cash flow assumptions associated with the Muga Project are unchanged before the Transaction and after the Transaction, we have separately assessed a discount rate for the Muga Project before the Transaction and after the Transaction to capture the different specific risk and optimal capital structure profiles given that the Muga Project after the Transaction is fully funded and the HRL Group is able to develop the Muga Project towards Phase 1 of construction.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\mathrm{WACC} = \mathrm{R_d} \times \frac{\mathrm{D}}{\mathrm{D}+\mathrm{E}} \times (1-\mathrm{t}) + \mathrm{R_e} \times \frac{\mathrm{E}}{\mathrm{D}+\mathrm{E}}$$

Where:

- Re = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- Rd = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification

cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e(R_m - R_f)$$

Where:

- Rf = risk free rate
- βe = expected equity beta of the investment
- (Rm – Rf) = market risk premium

Risk-free rate - **2.50% (before the Transaction and after the Transaction)**

In the absence of an official risk-free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have observed the yields on the 20-year AAA-Rated EURO Area Central Government Bond over several intervals from a period of 5 trading days to 10 trading years. We have summarised this in the table below.

Figure 78 - 20 year AAA-Rated Euro area central government bond analysis

AAA-Rated Euro Area Central Government Bond - 20 Year as at 31 December 2024	Range			Average
Previous 5 trading days	2.60%	-	2.63%	2.62%
Previous 10 trading days	2.52%	-	2.63%	2.58%
Previous 20 trading days	2.34%	-	2.63%	2.48%
Previous 30 trading days	2.30%	-	2.63%	2.47%
Previous 60 trading days	2.30%	-	2.74%	2.56%
Previous 1 year trading	2.30%	-	2.91%	2.63%
Previous 2 years trading	1.99%	-	3.21%	2.63%
Previous 3 years trading	0.12%	-	3.21%	2.21%
Previous 5 years trading	-0.51%	-	3.21%	1.31%
Previous 10 years trading	-0.51%	-	3.21%	1.09%
Previous 15 years trading	-0.51%	-	4.41%	1.74%

Source: S&P Global

Given the current volatility in the global financial markets in conjunction with COVID-19, quantitative easing by central banks, recent changes to government bond yields, we have placed more emphasis on the average risk-free rate observed over a longer period of time. Having regard to the above, we have adopted a risk-free rate of 2.50% in our discount rate assessment for the Muga Project both before the Transaction and after the Transaction.

Market risk premium – **6.00% (before the Transaction and after the Transaction)**

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk-free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium between 5.50% and 6.00% for the European markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.00% in our discount rate assessment for the Muga Project both before the Transaction and after the Transaction.

Asset beta – **1.30 to 1.40 (before the Transaction) and 1.20 and 1.30 (after the Transaction)**

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right

equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of the report, we have had regards to the observed asset betas of comparable listed peers split between those that are in the exploration/development stage of the mining cycle and those that are producing. We have performed regressions of the historical betas over 5-year monthly time period with local or MSCI indices. We have considered the local index in addition to the global index to account for the fact that potash prices vary slightly between geography, albeit generally follow the same trend. We have primarily focused on the asset betas of the comparable listed peers in the exploration/development stage of the mining cycle given the Muga Project is pre-construction, however, had regard to the asset beta of the producing comparable listed peers when assessing the asset beta for the Muga Project after the Transaction given the Muga Project is fully funded to allow HRL Group to develop the Muga Project towards Phase 1 of construction.

Figure 79 - Beta analysis of the comparable listed peers

			Local index				MSCI Index			
Beta analysis - 5-monthly weekly		Market cap	Equity	R	Gearing	Ungeared	Equity	R	Gearing	Ungeared
Company	Country	(A$m)	Beta	Sqaured	Ratio	Beta	Beta	Sqaured	Ratio	Beta
Highfield Resources Limited	**Spain**	**113**	**1.44**	**0.25**	**19%**	**1.27**	**1.69**	**0.25**	**19%**	**1.49**
Exploration / Development										
Kore Potash plc	United Kingdom	200	1.18	0.03	0%	nmf	1.25	0.03	0%	nmf
Agrimin Limited	Australia	45	1.87	0.21	0%	1.87	1.31	0.11	0%	1.31
Gensource Potash Corporation	Canada	33	0.89	0.07	8%	0.84	0.58	0.04	8%	nmf
Western Resources Corp.	Canada	16	1.05	0.07	176%	0.46	0.57	0.03	176%	nmf
BCI Minerals Limited	Australia	750	1.40	0.26	12%	1.29	1.30	0.24	12%	1.20
Atlas Salt Inc.	Canada	67	2.39	0.05	0%	nmf	2.02	0.05	0%	nmf
Median			**1.29**	**0.07**	**4%**	**1.07**	**1.28**	**0.04**	**4%**	**1.25**
Average			**1.47**	**0.12**	**33%**	**1.11**	**1.17**	**0.08**	**33%**	**1.25**
Producing										
K+S Aktiengesellschaft	Germany	3,134	0.64	0.08	96%	0.38	0.71	0.09	96%	0.43
Yara International ASA	Norway	10,898	0.63	0.21	43%	0.48	0.32	0.07	43%	0.25
The Mosaic Company	United States	12,616	1.32	0.29	39%	1.01	1.42	0.33	39%	1.08
Nutrien Ltd.	Canada	35,678	0.90	0.23	38%	0.70	0.63	0.14	38%	0.49
BHP Group Limited	Australia	200,611	0.84	0.28	15%	0.77	0.77	0.26	15%	0.70
Intrepid Potash, Inc.	United States	436	2.20	0.26	8%	2.07	2.28	0.27	8%	2.15
Median			**0.87**	**0.24**	**39%**	**0.74**	**0.74**	**0.20**	**39%**	**0.60**
Average			**1.09**	**0.23**	**40%**	**0.90**	**1.02**	**0.19**	**40%**	**0.85**
Overall - median			**1.11**	**0.21**	**14%**	**0.81**	**1.01**	**0.10**	**14%**	**0.89**
Overall - average			**1.28**	**0.17**	**36%**	**0.99**	**1.10**	**0.14**	**36%**	**0.95**

Source: S&P Global and GTCF analysis
Notes: 1) Asset betas are calculated using data provided by S&P Global as at 31 December 2024. 2) The betas are based on five-year period with monthly observations and based on the MSCI Index or Local Index. 3) Betas have been ungeared based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values).

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations, it is important to assess their commercial reasonableness. That is to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for SBM, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as de-gearing. The betas are de-geared using the average historical gearing levels of those respective companies over several years.

Having regard to the asset betas in the table above, we have selected an asset beta for the Muga Project before the Transaction of between 1.30 to 1.40 and an asset beta for the Muga Project after the Transaction of between 1.20 to 1.30. We consider this reduction reasonable given that the Muga Project after the Transaction is fully funded and as a result the Group is able to develop the Muga Project towards Phase 1 of construction. Notwithstanding the outstanding hurdles and risks associated with the construction and operation of the Muga Project, in our opinion, securing this remaining financing represents a significant milestone as it brings it one step closer towards becoming a producing mine. In addition, we note that the investors involved with the Cornerstone Placement, such as Yankuang Energy, are globally recognised and reputable firms within the industry, which we consider increases investors' confidence on the execution of the Group through Phase 1 of construction and thereby towards production. Having regard to the lower average asset beta observed for potash producing listed companies compared to exploration and development potash listed companies (0.85 versus 1.25 respectively), we consider the reduction in the adopted asset beta within our discount rate assessment for the Muga Project after completion of the Transaction to be reasonable.

We used the following formula to undertake the de-gearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- βe = Equity beta
- βa = Asset beta
- t = corporate tax rate

Having regard to selected asset betas discussed above, the assumed 'optimal' capital structure for the Muga Project before the Transaction and after completion of the Transaction, which is a subjective exercise that carries a significant possibility of estimation error (refer to the Capital Structure Section below for further discussions) and the Spanish corporate tax rate of 28.00%, we have recalculated the equity beta for the Muga Project both before the Transaction between 1.70 to 1.83 and after the Transaction between 1.57 to 1.70. We have summarised the equity beta calculations for the Muga Project before the Transaction and after completion of the Transaction in the table below.

Figure 80 - Equity beta calculations before the Transaction and after the Transaction

Equity beta computation		WACC before the Transaction		WACC after the Transaction	
	Calculation	Low	High	Low	High
Selected asset beta	A	1.30	1.40	1.20	1.30
Proportion of debt	B	30.0%	30.0%	30.0%	30.0%
Proportion of equity	C	70.0%	70.0%	70.0%	70.0%
Gearing (debt/equity)	**D = B / C**	**42.9%**	**42.9%**	**42.9%**	**42.9%**
Tax rate	E	28.0%	28.0%	28.0%	28.0%
Equity beta	**F = A*(1+(1-E)*D)**	**1.70**	**1.83**	**1.57**	**1.70**

Source: GTCF analysis.

Specific risk premium – **3.00% (before the Transaction and after completion of the Transaction)**

The specific risk premium ("SRP") represents the additional return an investor expects to receive to compensate for country, size and project related risks not reflected in the beta of the observed comparable companies.

We have assumed an SRP of 3.00% for the Muga Project before the Transaction and after the Transaction to reflect the operational and geopolitical risks which are not directly reflected in the cash flow assumptions or the adopted asset beta.

We note that the selection of the SRP involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

Cost of debt – **7.50% to 8.50% (before the Transaction and after completion of the Transaction)**

For the purpose of estimating the cost of debt applicable to the Muga Project both before the Transaction and after the Transaction, Grant Thornton Corporate Finance has considered the interest rate on the Project Facility and Cost Overrun Facility to fund the construction of the Muga Project and expectations of the yield curve. We have also reviewed the interest rates of facilities held by comparable listed peers. Based on our analysis, Grant Thornton Corporate Finance has adopted a pre-tax cost of debt between 7.50% and 8.50% in our discount rate assessment for the Muga Project both before the Transaction and after the Transaction.

Capital structure – **30% debt and 70% equity (before the Transaction and after completion of the Transaction)**

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders return after interest payments, and the businesses ability to raise external debt.

The appropriate level of gearing that is utilised in determining the WACC for a particular company should be the “target” gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one which the present value of the tax benefits from the deductibility of interest are offset by the present value of costs of financial distress. For the

purpose of the discount rate assessment Grant Thornton Corporate Finance has adopted a capital structure for the Muga Project before the Transaction and after the Transaction of 30% debt and 70%.

Tax rate – **28.00% (before the Transaction and after the Transaction)**

For the purpose of our valuation assessment we have adopted the corporate tax rate of 28.00% in Spain.

Inflation – **2.00% (before the Transaction and after the Transaction)**

For the purpose of our valuation assessment and calculating a range of real-post tax discount rates, we have adopted an inflation rate of 2.00%, based on the European Central Bank's target rate.

Discount rate summary

Based on the assumptions discussed above, we have presented our discount rate assessment for the Muga Project both before the Transaction and after completion of the Transaction in the table below.

Figure 81 - Grant Thornton discount rate analysis for the Muga Project before the Transaction

WACC computation for the Muga Project before the Transaction	Low	High
Risk-free rate	2.5%	2.5%
Market risk premium	6.0%	6.0%
Asset beta	1.30	1.40
Equity beta	1.70	1.83
Specific risk premium	3.0%	3.0%
Cost of equity	**15.7%**	**16.5%**
Cost of debt (pre-tax)	7.5%	8.5%
Tax rate	28.0%	28.0%
Cost of debt (post-tax)	**5.4%**	**6.1%**
Proportion of debt	30.0%	30.0%
Proportion of equity	70.0%	70.0%
Nominal WACC	**12.6%**	**13.4%**
Inflation	(2.0%)	(2.0%)
Real WACC	**10.4%**	**11.1%**

Source: GTCF analysis.

Figure 82 - Grant Thornton discount rate analysis for the Muga Project after completion of the Transaction

WACC computation for the Muga Project after the Transaction		
	Low	High
Risk-free rate	2.5%	2.5%
Market risk premium	6.0%	6.0%
Asset beta	1.20	1.30
Equity beta	1.57	1.70
Specific risk premium	3.0%	3.0%
Cost of equity	**14.9%**	**15.7%**
Cost of debt (pre-tax)	7.5%	8.5%
Tax rate	28.0%	28.0%
Cost of debt (post-tax)	**5.4%**	**6.1%**
Proportion of debt	30.0%	30.0%
Proportion of equity	70.0%	70.0%
Nominal WACC	**12.1%**	**12.8%**
Inflation	(2.0%)	(2.0%)
Real WACC	**9.8%**	**10.6%**

Source: GTCF analysis.

Appendix C – Comparable Listed Companies description

Company	Description
Exploration / Development peers	
Kore Potash plc	Kore Potash plc, together with its subsidiaries, engages in the exploration and development of potash minerals in the Republic of Congo. It holds 97% interest in Sintoukola Potash project that comprises the Kola sylvinite and carnallite deposits, as well as DX sylvinite deposits and Dougou carnallite deposits located in the north of the city of Pointe Noire. Kore Potash plc was incorporated in 2017 and is based in London, the United Kingdom.
Western Resources Corp.	Western Resources Corp., together with its subsidiaries, engages in the acquisition, exploration, and development of potash mineral properties in Canada. The company primarily holds a 100% interest in the Milestone project located to the southeast of Regina in Saskatchewan, Canada. It also invests in real estate projects. The company was incorporated in 2017 and is based in Vancouver, Canada. Western Resources Corp. is a subsidiary of Vantage Chance Limited.
Gensource Potash Corporation	Gensource Potash Corporation, together with its subsidiaries, operates as a fertilizer development company in Canada. It focuses on potash development activities. The company holds various interests in the Tugaske project located in Saskatchewan; and Vanguard Area, as well as the Lazlo projects located in central Saskatchewan. Gensource Potash Corporation is headquartered in Saskatoon, Canada.
Agrimin Limited	Agrimin Limited primarily engages in the exploration and development of potash projects in Western Australia. The company focuses on sulphate of potash. It holds a 100% interest in the Mackay Potash project comprising nine granted exploration licenses covering an approximately 3,000 square kilometers located in Western Australia, as well as four exploration licenses applications covering an approximately 1,200 square kilometers situated in the northern territory. The company also holds a 100% interest in the Lake Auld Potash project comprising granted exploration license covering a lakebed area of 108 square kilometers located in Western Australia. The company was formerly known as Global Resources Corporation Limited and changed its name to Agrimin Limited in December 2014. The company was incorporated in 2006 and is based in Nedlands, Australia.
BCI Minerals Limited	BCI Minerals Limited, a mineral resources company, engages in the development of mineral assets in Australia. The company explores for salt and potash deposits. It holds 100% interest in the Mardie Salt and Potash project located in the Pilbara region of Western Australia. The company was formerly known as BC Iron Limited and changed its name to BCI Minerals Limited in December 2017. BCI Minerals Limited was incorporated in 2006 and is based in West Perth, Australia.
Atlas Salt Inc.	Atlas Salt Inc. engages in the valuation, exploration, development, and production of industrial mineral properties in Newfoundland and Labrador, Canada. The company explores for potash, salt, gypsum, nepheline, and other mineral deposits. Its principal asset is the 100% owned in the Great Atlantic salt project in the Bay St. George Basin of western Newfoundland. The company was formerly known as Red Moon Resources Inc. and changed its name to Atlas Salt Inc. in August 2021. Atlas Salt Inc. was incorporated in 2011 and is headquartered in St. John's, Canada.
Producing peers	
Nutrien Ltd.	Nutrien Ltd. provides crop inputs and services. The company operates through four segments: Retail, Potash, Nitrogen, and Phosphate. The Retail segment distributes crop nutrients, crop protection products, seeds, and merchandise products. The Potash segment provides granular and standard potash products. The Nitrogen segment offers ammonia, urea, environmentally smart nitrogen, nitrogen solutions, nitrates, and sulfates. The Phosphate segment provides solid fertilizer, liquid fertilizer, and industrial and feed products. In addition, it provides services directly to growers through a network of farm centers in North America, South America, and Australia. The company is headquartered in Saskatoon, Canada.

The Mosaic Company	The Mosaic Company, through its subsidiaries, produces and markets concentrated phosphate and potash crop nutrients in North America and internationally. The company operates through three segments: Phosphates, Potash, and Mosaic Fertilizantes. It owns and operates mines, which produce concentrated phosphate crop nutrients, such as diammonium phosphate, monoammonium phosphate, and ammoniated phosphate products; and phosphate-based animal feed ingredients primarily under the Biofos and Nexfos brand names, as well as produces a double sulfate of potash magnesia product under K-Mag brand name. The company also produces and sells potash for use in the manufacturing of mixed crop nutrients and animal feed ingredients, and for industrial use; and for use in the de-icing and as a water softener regenerant. In addition, it provides nitrogen-based crop nutrients, animal feed ingredients, and other ancillary services; and purchases and sells phosphates, potash, and nitrogen products. The company sells its products to wholesale distributors, retail chains, farmers, cooperatives, independent retailers, and national accounts. The company was incorporated in 2004 and is headquartered in Tampa, Florida.
ICL Group Ltd	ICL Group Ltd, together with its subsidiaries, operates as a specialty minerals and chemicals company worldwide. It operates in four segments: Industrial Products, Potash, Phosphate Solutions, and Growing Solutions. The Industrial Products segment produces bromine out of a solution that is a by-product of the potash production process, as well as bromine-based compounds; produces various grades of potash, salt, magnesium chloride, and magnesia products; and produces and markets phosphorous-based flame retardants and other phosphorus-based products. The Potash segment extracts potash from the Dead Sea; mines and produces potash and salt; produces polysulphate; produces, markets, and sells magnesium and magnesium alloys, as well as related by-products, including chlorine and sylvinite; and sells salt. This segment uses phosphate commodity products to produce specialty products; produces and markets phosphate-based fertilizers, as well as sulphuric acid, green phosphoric acid, and phosphate fertilizers; and offers Phosphate salts and acids for various industrial end markets, such as oral care, cleaning products, paints and coatings, water treatment, asphalt modification, construction, and metal treatment. It also develops and produces functional food ingredients and phosphate additives for use in the processed meat, poultry, seafood, dairy, beverage, and baked goods markets; and produces milk and whey proteins for the food ingredients industry. The Growing Solutions segment develops, manufactures, markets, and sells fertilizers based primarily on nitrogen, potash, and phosphate, including water soluble specialty, liquid, soluble, and controlled-release fertilizers. It sells its products through marketing companies, agents, and distributors. The company was formerly known as Israel Chemicals Ltd. and changed its name to ICL Group Ltd in May 2020. The company was founded in 1968 and is headquartered in Tel Aviv, Israel.
Intrepid Potash, Inc.	Intrepid Potash, Inc., together with its subsidiaries, engages in the extraction and production of the potash in the United States and internationally. It operates through three segments: Potash, Trio, and Oilfield Solutions. The company offers muriate of potash for various markets, such as agricultural market as a fertilizer input; the industrial market as a component in drilling and fracturing fluids for oil and gas wells, as well as an input to other industrial processes; and the animal feed market as a nutrient supplement. It also provides Trio, a specialty fertilizer that delivers potassium, sulfate, and magnesium in a single particle; water for oil and gas services industry; salt for various markets, including animal feed, industrial applications, pool salt, and the treatment of roads and walkways for ice melting or to manage road conditions; magnesium chloride for use as a road treatment agent for deicing and dedusting; brines for use in oil and gas industry to support well workover and completion activities; and metal recovery salts. Intrepid Potash, Inc. was founded in 1999 and is based in Denver, Colorado.
K+S Aktiengesellschaft	K+S Aktiengesellschaft, together with its subsidiaries, operates as a supplier of mineral products for the agricultural, industrial, consumer, and community sectors worldwide. It offers potassium chloride for crops, such as grain, corn, rice, and soybean; fertilizer specialties that are used for crops with magnesium and sulfur requirements, including rapeseed and potatoes, as well as for chloride-sensitive crops consisting of citrus, grapes, and vegetables; and water-soluble fertilizers for use in fertigation of fruit and vegetables under the KALISOP, KORN-KALI, ROLL-KALI, PATENTKALI, ESTA KIESERIT, MAGNESIA-KAINIT, SOLUMOP, SOLUSOP, SOLUCMS, SOLUMAP, SOLUMKP, EPSO TOP, EPSO MICROTOP, EPSO COMBITOP, EPSO

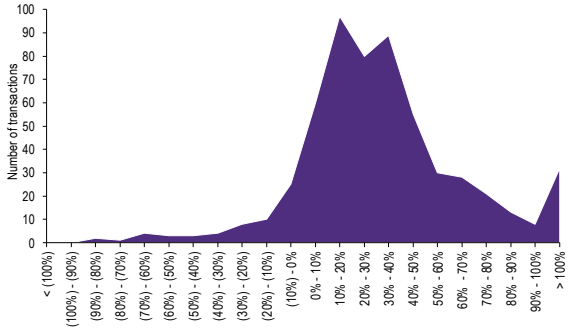
	PROFITOP, and EPSO BORTOP brands. The company also provides melting salts, sodium chloride, natural rock salt, high-purity vaccum salt and natural sea salt, potassium chloride, Epsom salt, minerals for pets and livestock, aluminum recycling, salt licks for farm and wild animals under the Alasal, APISAL, AXAL PRO, NUTRIKS, NUTRIKS KaliSel, KASA, k-DRILL, Montanal, and SOLSEL brand names. In addition, it offers table salts under the SALDORO, Cérébos, and Vatel brands; salts for water treatment; dishwashing salts; and de-icing salts. K+S Aktiengesellschaft was founded in 1889 and is headquartered in Kassel, Germany.

Source: S&P Global

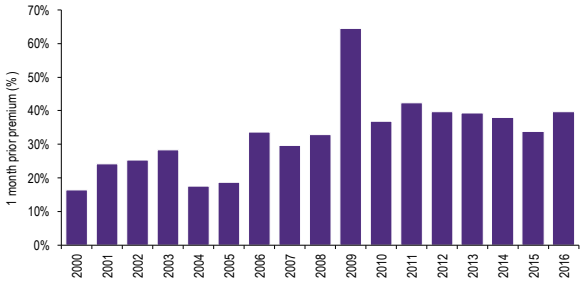
Appendix D – Control Premium Study

15.13 Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium vary significantly for each transaction.

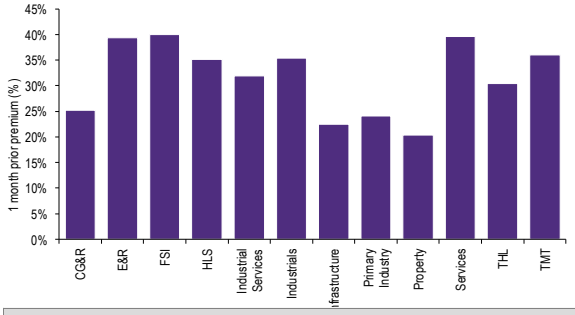
1 Month Prior Control Premium



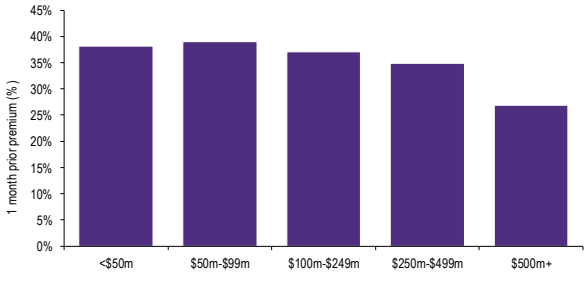
Control premium per completion date



Control premium per industry



Control premium and size



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF Analysis

Appendix E – Glossary

1HCY	First half of the relevant financial year
ABS	Australian Bureau of Statistics
ACCC	Australian Competition & Consumer Commission
Agrimin	Agrimin Limited
APES 225	APES 225 Valuation Services
ASIC	Australian Securities and Investments Commission
Associate	Has the meaning given to that term in the Corporations Act
ATO	Australian Taxation Office
AUD:EUR Exchange Rate	AUD:EUR of 0.61
AUD:USD Exchange Rate	AUD:USD of 0.64
Belaruski	Belaruski Potash Company
CAGR	Constant average growth rate
Capex	Capital expenditure
Canpotex	Canpotex Potash Exports
Cfr	Cost and freight
Comparable Listed Companies	Quoted price for listed securities
Comparable Transactions	Comparable market transactions, considering multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.
Conditional Placement	The issuance of the Conditional Placement Shares to the EMR Nominee to raise c. US$5.0 million (c. A$7.5 million).
Conditional Placement Shares	the 24,967,169 new HRL Shares to be issued to the EMR Nominee on 17 January 2025.
Consideration Shares	Has the meaning in paragraph 3.6 of Section 3
Consensus Economics	Consensus Economics Commodity Forecasts Report released 16 December 2024.
Cornerstone Placement	The issuance of HRL Shares to strategic investors to raise at least US$200 million, including pursuant to the equity subscription agreements entered into with 1) Yankuang Energy to raise up to US$90 million at A$0.50 per new Share, 2) Beijing Energy to raise US$50 million at A$0.50 per new Share; and 3) Taizhong to raise US$30 million at A$0.50 per new Share.
Corporations Act	Corporations Act 2001 (Cth)
Corporate Regulations	Corporations Regulations 2001 (Cth)
CRU	CRU International Ltd
CY	Calendar year
DCF Method	Discounted cash flow and the estimated realisable value of any surplus assets
EMR depending on the context, EMR Capital, the EMR Shareholders, the EMR Nominee or any one or more of them	EMR Capital Resources Funds III, LP acting by its general partner EMR Capital GP III Limited.
ESAs	Equity subscription agreements under the Cornerstone Placement
EPC	Engineering, Procurement and Construction
EV	Enterprise Value
Financial model	Cash flow projections up to CY58 for the Muga Project
FME Method	Application of earnings multiples to the established future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
FSG	Financial Services Guide
FY	Financial year
G&A	General and administrative

Gensource	Gensource Potash Corporation
GMOP	Granular muriate of potash
Grant Thornton Corporate Finance, GTCF, we or us	Grant Thornton Corporate Finance Pty Ltd
Gorup	HRL & its subsidiaries
HELM	HELM Fertilizer Corp
HoA	Heads of Agreement
HRL Board or Board	The board of directors of HRL
HRL, Highfield or the Company	Highfield Resources Limited ACN 153 918 257
HRL Group	HRL after completion of the Transaction
HRL Share	Fully paid ordinary shares in Highfield Resources Limited.
HRL Shareholders	Holders of HRL Shares
ICL	ICL Group Ltd
ICL Iberia	ICL Iberia Suria & Sallent
IER	Independent Expert's Report
Institutional Placement	The Company's equity capital raising of up to c. US$15 million by way of issuance of new Shares to institutional investors at a price of A$0.2989 per new Share, details of which were announced to the market on 24 September 2024, pursuant to the Unconditional Placement and the Conditional Placement.
Intrepid	Intrepid Potash Inc
KCl	Potassium chloride
Kore	Kore Potash Plc
K+S	K + S AG
LOM	Life of Mine
Management	Management of Highfield
Maxisalt	Padira premium S.L.U/Maxisalt
Meeting	The extraordinary general meeting of HRL at which HRL Shareholders will be asked to, among other things, approve the proposed Transaction.
Mineral Resource Estimate	MRE
M+I Multiple	EV/ Measured and Indicated resources multiple
MOP	Muriate of potash
MoU	Memorandum of Understanding
MRE	Mineral Resource Estimate
Muga Project	Muga-Vipasca Potash Project
NI 43-101	National Instrument 43-101
Non-Associated Shareholders	HRL Shareholders that are not the associated EMR Shareholders or their associated entities.
NPAT	Net profit after tax
Maxisalt	Padira premium S.L.U/Maxisalt
PVC	Polyvinyl chloride
Quoted Security Price Method	Quoted price for listed securities, where there is a liquid and active market
Reserve Multiple	EV/ Reserve multiple
Resource Multiple	EV/ Total resources multiple
RoC	Republic of Congo
RG 111	Regulatory Guide 111 Contents of expert reports
RG 112	Regulatory Guide 112 Independence of experts
RG 74	Regulatory Guide 74 Acquisitions approved by members
SdP	Sierra del perdón Project

SEPCO	SEPCO Electric Power Construction Corporation
Short Term Funding	The funds raised under the Unconditional Placement and the funds raised under the Conditional Placement.
SLR	SLR Consulting (Canada) Ltd
SLR Report	Independent Technical Report completed by SLR Consulting (Canada) Ltd
SMOP	Standard grade muriate of potash
SOP	Sulphate of potash
Southey Acquisition	The acquisition of 100% of the share capital in Yancoal Canada Resources, a wholly owned subsidiary Yankuang Energy by HRL.
Southey Project	Southey potash project
SPP	Share purchase plan
SRK	SRK Consulting (UK) Ltd
SRP	Specific risk premium
Tectonic	Tectonic Investment Management and related parties
Top-Up Shares	Issue of 20,071,604 HRL Shares.
The Transaction	The Cornerstone Placement and the Southey Acquisition.
The Transaction Announcement	The 24 September when the Company publicly announced it had entered into binding agreements for the Transaction
Unconditional Placement	The unconditional component of the Company's Institutional Placement which raised c. US$6.0 million via the issue of a total of 50,034,205 new HRL Shares at a price of A$0.2989 per HRL Share.
Uralkali	PSJC Uralkali
USD:EUR Exchange Rate	USD:EUR of 0.90
Vantage	Vantage Chance Limited
VWAP	Volume-weighted average price
WACC	Weighted Average Cost of Capital
Western Resources	Western Resources Corp
WPHC	Western Potash Holdings Corp.
Yancoal Canada	Yancoal Canada Resources
Yankuang Energy	Yankuang Energy Group Co., Ltd (and includes its Associates if the context requires it)

Grant Thornton

Appendix F – SLR Technical Specialist Report

Independent Specialist Report

Southey Project, Muga Project, and Other Spanish Assets

Highfield Resources Ltd.

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Prepared by:

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SLR Project No.: 233.065299.00001

February 14, 2025

Revision: 0

Disclaimer

This report has been prepared by SLR at the request of HFR (the "Client"). Any use of this report is subject to the agreed terms, conditions and limitations (the "Terms of Business") contained in the Letter of Engagement, dated October 7, 2024, and signed by the Client, as well as the SLR proposal accepted by the Client on October 9, 2024, which Terms of Business are incorporated into this Disclaimer by reference. The report may only be used by the Client in connection with its review of the Southey Project, the Muga Project, and other Spanish assets of Highfield (the Projects) and shall not be used or relied upon for any other purpose or by any other party, without the written consent of SLR. SLR accepts no responsibility for damages, if any, suffered by any third party as a result of reliance on, decisions made or actions taken based on this report. If SLR specifically consents in writing to the use of and reliance on this report by any party other than the Client, such use and reliance shall be in all respects subject to the Terms of Business, including the limitations of liability set forth therein. In no event will SLR have aggregate liability to the Client or any third parties in excess of the limitations set forth in the Terms of Business.

The information, conclusions, opinions, and estimates contained herein are based on:

- Information available to SLR at the time of preparation of this report.
- Assumptions, conditions, and qualifications as set forth in this report.
- Data, reports, and opinions supplied by the Client and other third party sources.

For the purpose of this report, SLR has relied on ownership information provided by the Client. SLR believes that this information is reliable for use in this report, without being able to independently verify its accuracy. SLR has not researched property title or mineral rights for the Projects and expresses no opinion as to the ownership status of the properties. SLR has not conducted land status, mineral rights, or property title evaluations, and has relied upon HFR's statements regarding property status, legal title, and environmental compliance for the Projects, which SLR believes to be accurate.

In addition, SLR has relied on the Client for guidance on applicable taxes, royalties, and other government levies or interests, applicable to revenue or income.

While it is believed that the information contained herein is reliable under the conditions and subject to the limitations set forth herein, this report is based in part on information not within the control of SLR and SLR does not guarantee the validity or accuracy of conclusions or recommendations based upon that information. While SLR has taken all reasonable care in producing this report, it may still contain inaccuracies, omissions, or typographical errors.

The report is intended to be read as a whole, including the Executive Summary and any Appendices, and sections should not be read or relied upon out of context.

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Executive Summary

Introduction

SLR Consulting (Canada) Ltd. (SLR) understands that Grant Thornton Corporate Finance Ltd (Grant Thornton) has been engaged by Highfield Resources Ltd. (HFR or Highfield) to prepare an Independent Experts Report (IER) under item 7 of Section 611 of the Corporations Act 2001 for the purpose of the Cornerstone Placement and Southey Acquisition.

SLR was engaged by HFR, but instructed by Grant Thornton, for the completion of an Independent Specialist Report (ISR or the Report) on the mineral assets of:

- The Southey Project (Southey), owned by Yancoal Canada Resources Co., Ltd. (Yancoal), a subsidiary of Yankuang Energy Group Company Limited (Yankuang). The Southey Project is located in Saskatchewan, Canada.
- The Muga-Vipasca Potash Project (Muga or the Muga Project), the Sierra del Perdon asset (SdP), and the Pintanos asset (collectively, “other Spanish assets”), owned by HFR. The Muga Project and the other Spanish assets are all located in northern Spain.

SLR understands that the ISR will be incorporated into the IER to be prepared by Grant Thornton.

HFR is a publicly traded exploration and development company listed on the Australian Stock Exchange (ASX: HFR) that is focussed on advancing its Muga Project, located in Spain and growing its potash business through acquisitions.

This ISR has been prepared in accordance with: (i) the VALMIN Code; (ii) the 2012 Edition of the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code); and (iii) the relevant rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and the ASX pertaining to an IER and ISR.

The Southey Project is a Feasibility Study (FS) stage, greenfield, mining project located in southern Saskatchewan, Canada, approximately 60 km northwest of the provincial capital of Regina.

The Southey Project, as currently envisioned in the FS, is expected to produce 2.8 million tonnes per annum (Mtpa) of muriate of potash (MOP) from a solution mining method. The minimum specification for saleable quality granulated muriate of potash (GMOP) for use as fertiliser (outside China) is a 60% potassium oxide (K_2O) product, referred to as a K60 product. This means that at least 60% of the product, by weight, is K_2O, or approximately 95% potassium chloride (KCl).

The Southey Project is intended to be developed in two phases. Phase 1 includes the development of the caverns for primary mining, the construction of a process plant, and the construction of all the necessary surface infrastructure to support the future operations and commence the mining and processing operations. Phase 1 is based on primary mining of caverns and will produce approximately 2.0 Mtpa of standard muriate of potash (SMOP). In Phase 2, the secondary mining will be implemented, and the production will rise to 2.8 Mtpa of MOP. Ore production will be maintained at a rate of 2.8 Mtpa.

The Muga Project is an advanced development stage greenfield, mining project located in northern Spain, approximately 50 km southeast of the regional capital of Pamplona. All the key licences and permits needed to begin the project construction have been granted by the

authorities in Aragón and Navarra. The Muga Project will produce MOP as the main product and vacuum salt as an additional product.

HFR intends to develop the Muga Project in two phases. The first phase (Phase 1) includes the development of the mine, the construction of a process plant, and the construction of all the necessary surface infrastructure to support the future operations and commence the mining and processing operations. Phase 1 is designed to mine and process 400 tonnes per hour (tph) Run-of-mine (ROM) ore to produce approximately 510,000 tonnes per year (tpa) of SMOP. In Phase 2, the processing facilities will be doubled in size and a granulation circuit will be added to allow the production of GMOP. Ore production will be ramped up to mine approximately 6.2 Mtpa ROM ore to produce a total of 1.02 Mtpa of GMOP product once the Phase 2 process plant expansion is completed.

SdP is a brownfield asset which previously hosted two potash mines operating from the 1960s until the late 1990s and produced approximately 500,000 tonnes of K60 MOP per annum. The SdP tenement area is southeast of Pamplona, and covers approximately 120 km^2 comprising three permits, namely Quiñones, Adiós, and Ampliación de Adiós.

There is potential for potash exploitation in new, unmined areas in the SdP project area. An initial Mineral Resource Estimate (MRE) for the SdP project was released on April 7, 2015. Since the MRE was completed in April 2015, an additional five holes were drilled by Geoalcali to confirm the continuity of the potash seams in different sectors of the deposit. Four of these holes intersected the carnallite and sylvite confirming grades of between 8% and 16% K_2O. As of the date of writing, the JORC MRE has not been updated to reflect these interceptions. The resolution of the re-licence process is still pending.

The Pintanos tenement area sits to the east of and adjacent to the Muga Project, and comprises three permits, namely Molineras 1, Molineras 2, and Puntarrón, covering an area of 65 km^2. The drilling permit at Molineras 1 was extended for three years in 2020 and an additional one-year extension was requested in 2023 to complete the works in the area. The extension was granted in early 2024. The Company re-initiated the application process for the drilling permits at Molineras 2 and Puntarrón in 2019; as of the end of 2023, the award of the permit from the authorities remains outstanding. No work has been undertaken at Pintanos since 2017.

Conclusions – Southey Project

Based on its review, SLR offers the following conclusions on the status of the Southey Project as of the report date:

- The project is at the FS stage of development, with an approved environmental assessment.
- The FS was completed in 2016 and re-estimation of the capital and operating costs and confirmation of the FS assumptions is recommended at the next stage of study.
- The FS MRE comprised 2,001 million tonnes (Mt) of Measured and Indicated Mineral Resources grading 19.46% K_2O (30.81 % KCl) and containing 389.4 Mt K_2O (616.6 Mt KCl) plus 3,653 Mt of Inferred Mineral Resources grading 18.7% K_2O (29.6% KCl) and containing 683 Mt K_2O (1,081 Mt KCl).
- Based on SLR's review of the data, it is noted that portions of the Belle Plaine Member corresponding to the YCR9 drill hole are outside of the current mineral tenure and therefore should be excluded from the Mineral Resource estimate.
- SLR finds the approach taken to classify the Mineral Resource created isolated islands of Measured Mineral Resources. SLR considers the classification of these isolated

islands to be inappropriate as they do not form contiguous areas on which a mine plan can be based and therefore considers there to be no Measured Resources in the licence.

- SLR's revised MRE is 1,861 Mt of Indicated Mineral Resources grading 19.53% K_2O (30.91% KCl) and containing 364 Mt K_2O (575 Mt KCl) plus 3,359 Mt of Inferred Mineral Resources grading 18.7% K_2O (29.5% KCl) and containing 627 Mt K_2O (992 Mt KCl) (Table ES-3). The change in Mineral Tenure had no impact upon the Mineral Reserve estimate.

Table ES-1: Summary of Southey Mineral Resources after Accounting for New Mineral Tenure and Reclassification

Resource Category	Tonnage (Mt)	K_2O (%)	KCl (%)	Contained K_2O (Mt)	Contained KCl (Mt)
Indicated	1,861	19.53	30.91	364	575
Inferred	3,359	18.67	29.53	627	992

Notes:
1. Definitions in the JORC Code were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 15% K_2O with no minimum thickness applied
3. Inferred at 1,600-5000m are estimated at a cut-off grade of 8% carnallite in the Patience Lake and Belle Plaine, and 6% in Esterhazy
4. Spatial deductions have been made from the Resources to exclude freehold areas, high carnallite areas, geological anomalies

- The current Mineral Reserve was prepared in 2016 by Amec Foster Wheeler Americas Inc. (Amec Foster Wheeler). Total Proved and Probable Ore Reserves were 59.2 Mt KCl and 114.15 Mt KCl after allowances for cavern layouts, allowance for losses to anomalies, cavern recovery of potash and plant recovery. Mineral Reserves were estimated at a cut-off grade of 15% K_2O (23.75% KCl) and a minimum thickness of one metre, as shown in Table ES-2 .
- SLR considers the work to convert the Mineral Resources to Ore Reserves to be appropriate and reasonable, with the provision that Measured Mineral Resources are reclassified to Indicated Mineral Resources. SLR considers the Ore Reserves to all be Probable Ore Reserves.

Table ES-2: Summary of Southey Ore Reserves after Accounting for Reclassification

Reserve Category	In situ Tonnage (Mt)	KCl (%)	K_2O (%)	KCl In situ (Mt)	K_2O In situ (Mt)	KCl Extracted (Mt)	K_2O Extracted (Mt)
Probable	752.6	32.59	20.59	245.3	154.9	186.4	117.7

Notes:
1. The standard adopted in respect of the reporting of Ore Reserves of the Southey Project, following the completion of required technical studies, is the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
2. The Ore Reserve estimate is reported on a 100% ownership basis.
3. Ore Reserves include allowances for 41.6% extraction of resources, losses to unknown anomalies and cavern recovery.
4. Plant recovery is not included.
5. Ore Reserves are estimated at a cut-off grade of 15% K_2O (23.75% KCl) and a minimum thickness of one metre.

6. Cavern recovery assumes that brine left in cavern is fully saturated.
7. Reserves account for unknown anomalies (5%).
8. Numbers may not add due to rounding.

- The FS life of mine (LOM) was developed and it is noted that Ore Reserves remain in place at the end of that period.
- Surface subsidence associated with solution mining at the project is expected to be gradual and non-disruptive. The ultimate surface subsidence near the perimeter of the mining area is 0.5 m.
- The project infrastructure has been designed to an FS level and includes a Tailings Management Area (TMA) to store approximately 3.5 Mtpa of NaCl tailings, deep well disposal of excess solution, power line to the grid, water and natural gas supply pipelines and a 32 km rail line to connect to the CN main line, and port infrastructure upgrades in Vancouver, BC.
- The initial and sustaining capital costs and the operating costs were estimated in the FS in 2016 and the cost estimates were inflated to a 2024 basis by Wood PLC (Wood) (formerly Amec Foster Wheeler). Initial capital costs for Phase 1 of the Southey Project were estimated to be C$5.4 billion, in 2024 dollars. SLR has reviewed the 2024 estimate prepared by Wood and concurs that these costs are reasonable. It is recommended that the FS technical parameters and cost estimates be updated prior to making a final investment decision.
- For the purposes of valuing the Southey Project, SLR has used the market approach based on the quantity of Mineral Resources at Southey. SLR has derived a value range of US$/t K_2O of 0.15 to 0.30 applied to the tonnes of contained K_2O in the Mineral Resources. The value range of Southey is shown in Table ES-3.

Table ES-3: Valuation of Southey Mineral Resources

Southey In Place Mineral Resources					
Resource	**In Place**	**Grade**	**Contained**		
Category	**Tonnes Mt**	**% K_2O**	**K_2O Mt**		
Indicated	1,861	19.53%	364		
Inferred	3,359	18.67%	627		
Total	5,220	18.98%	991		
Valuation of Southey Mineral Resources					
Resource	**Contained**	**Range of $/t Values**		**Range of Values (US$ millions)**	
Category	**K_2O Mt**	**Low End**	**High End**	**Low End**	**High End**
All categories	991	0.15	0.30	149	297

- Four other potash claims located to the west of the main Southey property are part of the property holdings. There are no Mineral Resources reported for the Other Southey

Claims. The total value ranges from US$10.1 million to US$20.2 million, based on a unit value range of US$100/ha to US$200/ha.

Conclusions – Muga and the Other Spanish Properties

Based on its review, SLR offers the following conclusions on the status of the Muga Project as of the report date:

- The project is at an advanced stage of development, with the necessary permits in place and a substantial amount of basic engineering already undertaken to support the start of execution of the project.
- There have been a number of studies undertaken to investigate the development of Muga, the most recent of which is the Muga Feasibility Update 2023 (2023 FS Update) completed in November 2023.
- As in previous studies the 2023 FS Update contemplates the development of an underground mine to extract the potash resources and process them in an on-site process plant designed and constructed to ultimately produce approximately 1 Mtpa of MOP.
- The current Project described in the 2023 FS Update appears to have been designed to comply with the various constraints imposed by the various governmental and local agencies involved in the permitting process.
- The 2023 FS Update presents a plan to develop the Muga Project in two phases. Phase 1 includes the development of the mine, the construction of the process plant, and all the necessary site infrastructure to support the future mine operations and the first three years of mine production. Phase 2 of the project will include the construction of a second process plant and the increase of production to approximately 1.0 Mtpa of MOP.
- Several major construction contracts have been awarded by Highfield including those for the construction of the mine access declines and the surface civil and infrastructure works.
- The current MRE was prepared in 2020 by Geoalcali in collaboration with SRK Consulting UK Ltd (SRK) based on the drilling data available as of March 2020 and comprises 237.3 Mt of Measured and Indicated Resources at an average grade of 12.0% K_2O and 44.9 Mt of Inferred Mineral Resources at a grade of 10.8% K_2O. The Mineral Resources were audited by SRK who took responsibility for the methodology and reported statement.
- Highfield estimates the Muga Exploration Target to be between 80 Mt and 130 Mt with a grade range of 8.0% to 10.0% K_2O. The Muga LOM plan that supports the HFR discounted cash flow analysis includes tonnage associated with exploration targets located along trend with Muga's Mineral Reserves.
- The most up to date Ore Reserve estimate (dated October 31, 2021) comprises Proved Reserves of 45.3 Mt at 10.5% K_2O and Probable Reserve of 59.0 Mt at 10.0% K_2O, for a total of 104.3 Mt at 10.2% K_2O. Appropriate modifying factors including mining losses and dilution incurred during mining have been applied in the conversion of Mineral Resources to Ore Reserves.
- SLR finds the approach taken to estimate the Mineral Resource and Ore Reserve to be appropriate and reasonable.

- The mine has been split into two distinct mineable zones. The selected room and pillar (R&P) mining method in the flat lying P0AB seams in the eastern zone is appropriate for the characteristics and type of deposit. The modified version of R&P mining planned in the steeper dipping P1 and P2 mining horizons is also reasonable.
- The mine will be developed within the main productive potash horizons and seams as far as is practicable, which is a sensible approach that limits the tonnage of waste material mined.
- Knowledge of mine scale seam geometry is limited at present due to the wide spacing of drilling holes. Consequently, it is likely that the mine design will need to be adjusted when further knowledge is gained during the mine development. This is a normal evolution of a mining operation during development and early operations.
- The mining fleet contains the types and numbers of equipment needed to operate a highly mechanized R&P mine.
- The underground ROM minerals handling system utilises conventional belt conveyor technology, combined with shuttle cars and feeder breakers operating within the production panel areas.
- The company-prepared LOM plan includes the extraction of Ore Reserves, Measured and Indicated Resources, some Inferred Resources and 43 Mt of unclassified Exploration Target material over a 30 year mine life. SLR recommends that the 43 Mt of unclassified material should be removed from the LOM plan for the purposes of an Income Approach valuation.
- The metallurgical test work sample selection appears to have been completed in a logical manner and includes samples of all three major ore types (banded, brecciated, and mixed) sourced from different areas of the orebody.
- The process flowsheet is logical, consists of conventional equipment, and is designed with the objective of maximising potash recovery. This type of flowsheet is used in a number of potash mines around the world.
- The Project benefits from good local infrastructure and proximity to the national road networks with minimal modification needed to the existing services.
- The surface infrastructure has been developed in detail and meets the needs of the planned underground mine and process plant. SLR did not identify any material issues, however, some areas are understandably still undergoing engineering development, which may lead to further changes in the project infrastructure during the final progression to “for construction” engineering.
- HFR intends to use road truck transport to dispatch the products from the site to market. Given the need to efficiently manage the movement of a large number of truck movements in and out of the site every day, HFR intends to out-source the transportation of products to market to an experienced transportation company. This is sensible and also reduces the initial capital spend.
- The Phase 1 capital cost is estimated to be €498.30 million (including pre-operational staff), comprising €412.51 million of direct costs, €45.87 million of indirect costs (including Owner’s Costs) and contingency allowance of €39.92 million. The updated estimate cost includes sunk costs of €50.19 million up to August 2023.

- Owner's cost for the Phase 1 is €22.63 million, which is 5.48%. SLR is of the opinion that the typical range is 4% to 6% of the project's direct costs and deems the Owner's cost sufficient for a greenfields project.
- The estimate has been updated in 2023 based on firm bids received from potential contractors and costs obtained before 2023 have been escalated to 2023 using a simple escalation calculation of 3% per annum.
- The value of work awarded up to August 2023 is €137.52 million (including pre-operational staff), or 30.00%. Approximately 91.44% of the updated estimate is based on competitive bids or fully executed contracts; however, SLR notes that more than 30% of the firm bids are based on bids received before 2023.
- The total contingency percentage applied to the Phase 1 direct and indirect costs in the updated estimate is 9.78% of the remaining costs. SLR notes that although more than 90% of the costs are based on firm bids or contracts, over 30% are based on bids received before 2023, which have been escalated to the current date. Based on SLR's experience on current projects in the region, projects with over 80% contracted costs are still overrunning by more than 15%. SLR recommends €9.1 million is added to increase the total Project contingency to €49.02 million (12.01% of the remaining costs to spend).
- The Phase 2 plant expansion will replicate the Phase 1 plant without the requirement for access roads, site preparation, ponds, declines and mine development, etc.
- The Phase 2 capital cost is estimated to be €285.84 million (including pre-operational staff), comprising €225.37 million of direct costs, €34.49 million of indirect costs (including Owner's Costs) and contingency allowance of €25.99 million.
- SLR is of the opinion that, although the estimate is based on the Phase 1 estimate values, the firm bids will not be valid by the time of construction and can therefore only be deemed as budget quotes. SLR recommends an additional €13.0 million contingency to increase the total project contingency to €38.99 million (15.00% of the remaining costs to spend).
- For Exploration Target valuation purposes, SLR recommends applying 50% of the typical US$ per tonne (US$/t) range for less advanced properties, resulting in a valuation range of US$0.025/t to US$0.030/t of contained K_2O. Based on an estimated contained K_2O range of 6.4 Mt to 13.0 Mt, the total valuation for the Muga Exploration Target is projected between US0.16 million and US$0.39 million.

Based on its review, SLR offers the following conclusions on the status of SdP as of October 31, 2024:

- The SdP MRE is unchanged since 2015. The Mineral Resources comprised 41.8 Mt of Indicated Resources at 10.7% K_2O and 40.3 Mt of Inferred Resources at 10.5% K_2O. Highfield released the MRE for the Sierra del Perdón Project to the ASX on April 7, 2015. Highfield considers this MRE to remain current as of December 31, 2023. As the legal status of the project's permits has been uncertain SLR cannot confirm the ownership of the SdP Mineral Resources without an independent legal opinion
- HFR has publicly disclosed that the legal status of the Adiós, Quiñones, and Ampliación de Adiós permits remains unresolved. This uncertainty affects SLR's ability to attribute resources accurately in a fair market valuation. SLR recommends that no value be assigned to Sierra del Perdón at this time.

Based on its review, SLR offers the following conclusions on the status of Pintanos as of October 31, 2024:

- The Pintanos Mineral Resources estimate in unchanged since 2017. The Mineral Resources comprised 70.7 Mt of Inferred Resources at 11.9% K_2O. As the Mineral Resources for Pintanos are contained on the Molineras 1 permit which HFR states as being in good standing for 2024. Highfield released the MRE for the Pintanos project to the ASX on June 30, 2017. Highfield considers this MRE to remain current as of December 31, 2023.
- HFR has publicly disclosed that the legal status of the Molineras 2 and Puntarrón permits remains unresolved. This uncertainty may affect the ability to attribute value accurately in a fair market valuation. As confirmation of ownership would require an independent legal opinion, SLR recommends that no value be assigned to the Molineras 2 and Puntarrón permits at this time.
- With the Molineras 1 permit for the Pintanos project in good standing for 2024, the 8.41 Mt of contained K_2O should be assigned a value. SLR recommends applying a valuation of US$0.05/t to US$0.06/t for this less advanced resource, resulting in an estimated total value for the Pintanos Inferred Resources between US$0.42 million and US$0.50 million.
- On June 30, 2017, Highfield reported an exploration potential estimate for the Pintanos project to the ASX. The estimated exploration potential ranges from 343 Mt to 1,565 Mt, with K_2O grades between 10% and 15.4%, indicating a potential K_2O content of 34.3 Mt to 241 Mt across the entire property. SLR further estimates that the Molineras 1 permit contains about 13.4% of this potential by area, which equates to a range of 4.6 Mt to 209.7 Mt, with K_2O grades of 10% to 15.4%. This gives an estimated contained K_2O range of approximately 4.6 Mt to 32.3 Mt for the Molineras 1 permit.
- For the Molineras 1 permit, SLR recommends applying 50% of the US$/t valuation range typically used for less advanced properties, resulting in a suggested valuation range of US$0.025/t to US$0.030/t of contained K_2O. Applying this valuation range yields a potential exploration value for the Pintanos project between US$0.11 million and US$0.97 million.

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1.0 Introduction

SLR Consulting (Canada) Ltd. (SLR) understands that Grant Thornton Corporate Finance Ltd (Grant Thornton) has been engaged by Highfield Resources Ltd. (HFR or Highfield) to prepare an Independent Experts Report (IER) under item 7 of Section 611 of the Corporations Act 2001 for the purpose of the Cornerstone Placement and Southey Acquisition.

SLR was engaged by HFR, but instructed by Grant Thornton, for the completion of an Independent Specialist Report (ISR or the Report) on the mineral assets of:

- The Southey Project (Southey), owned by Yancoal Canada Resources Co., Ltd. (Yancoal), a subsidiary of Yankuang Energy Group Company Limited (Yankuang). The Southey Project is located in Saskatchewan, Canada.
- The Muga-Vipasca Potash Project (Muga or the Muga Project), the Sierra del Perdon asset (SdP) and the Pintanos asset (collectively, “other Spanish assets”), owned by HFR. The Muga Project and other Spanish assets are all located in northern Spain.

SLR understands that the ISR will be incorporated into the IER to be prepared by Grant Thornton.

HFR is a publicly traded exploration and development company listed on the Australian Stock Exchange (ASX: HFR) that is focussed on advancing its Muga Project, located in Spain and growing its potash business through acquisitions.

The Southey Project is a Feasibility Stage greenfield, mining project located in southern Saskatchewan, Canada, approximately 60 km northwest of the provincial capital of Regina.

The Muga Project is an advanced development stage greenfield, mining project located in northern Spain, approximately 50 km southeast of the regional capital of Pamplona.

SdP is a brownfield asset which previously hosted two potash mines. The SdP tenement area is southeast of Pamplona, and covers approximately 120 km^2 comprising three permits, namely Quiñones, Adiós, and Ampliación de Adiós.

The Pintanos tenement area sits to the east of and adjacent to the Muga Project, and comprises three permits, namely Molineras 1, Molineras 2, and Puntarrón, covering an area of 65 km^2.

This Report provides SLR’s technical review and opinion on the mineral assets of Yancoal and HFR and has been prepared in accordance with the guidelines of the Australian Code of Public Reporting of Technical Assessments and Valuations of Mineral Assets, or the VALMIN Code (VALMIN 2015), and the Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves, or the JORC Code (JORC 2012).

1.1 Scope of Work

Under its appointment to prepare an ISR on the assets of HFR, as directed by Grant Thornton, SLR has completed the following:

- Met via virtual meetings with Grant Thornton, HFR management, and Yancoal management, to understand the current status of the respective mineral assets owned by HFR and Yancoal.
- Considered the reasonableness of the cost estimates associated with the construction, development and operation of the Southey Project and the Muga Project.

- Conduct a site visit to the Southey Project. Based on SLR's recent involvement with the Muga Project, as described in Section 1.8 Independence, it was decided that a site visit to Muga was not required.
- Reviewed the technical assumptions for the Southey Project and the Muga Project and provided an assessment on the reasonableness of the technical inputs used in the development of cash flow models for Southey and Muga. In the case of Muga, the cash flow model forms part of the principal method of valuation, whereas at Southey, the cash flow model was used to confirm ore reserves declaration. The review included the following:
  - Status of the 2016 Feasibility Study (FS) for Southey and of the 2023 Feasibility Study Update (2023 FS Update) on Muga.
  - Mining physicals (including tonnes of ore mined, grade of ore, waste, and mine life).
  - Processing physicals (including ore processed, metallurgical recovery and product produced).
  - Production and operating costs.
  - Capital expenditure (including pre-production capital costs, sustaining capital costs, rehabilitation and contingencies).
  - Status of environmental permits and social impacts for Southey.
  - Any technical assumptions considered to be unreasonable have been reflected in the report.
- Considered the status of the Southey Mineral Resources and SdP and Pintanos assets, and prepared market based valuations as appropriate.
- Considered the status of the non-core mineral tenures outside of the Southey Project owned by Yancoal and prepared market based valuations as appropriate.
- Prepared an ISR on the mineral assets of Yancoal (Southey) and HFR (the Muga Project and other Spanish Assets).

1.2 Project Description

1.2.1 Southey Project

The Southey Project is an FS stage, greenfield, mining project located in southern Saskatchewan, Canada, approximately 60 km northwest of the provincial capital of Regina. The project received environmental approvals in 2016 and was renewed for a five year period in 2021.

The Southey Project is envisioned to produce 2.8 million tonnes per annum (Mtpa) of muriate of potash (MOP) from a solution mining project. The minimum specification for saleable quality granulated muriate of potash (GMOP) for use as fertiliser (outside China) is a 60% potassium oxide (K_2O) product, referred to as a K60 product. This means that at least 60% of the product, by weight, is K_2O, i.e., it is approximately 95% pure potassium chloride (KCl).

The Southey Project is intended to be developed in two phases. The first phase (Phase 1) includes the development of the caverns for primary mining, the construction of a process plant, and the construction of all the necessary surface infrastructure to support the future operations and commence the mining and processing operations. Phase 1 is based on primary mining of

caverns and will produce approximately 2.0 Mtpa of MOP. In Phase 2, the secondary mining will be implemented and the production will rise to 2.8 Mtpa of MOP. Ore production will be maintained at a rate of 2.8 Mtpa.

1.2.2 Muga Project and the Other Spanish Assets

HFR's potash tenements, comprising the Muga-Vipasca, Sierra del Perdón, and Pintanos projects are in the Ebro potash producing basin in Northern Spain, covering an area of approximately 250 km^2.

The Muga-Vipasca Potash Project (Muga or the Muga Project) is a greenfield, advanced development stage mining project being progressed by 100% HFR-owned company, Geoalcali.

Muga is located approximately 150 km from the Port of Pasajes and 230 km from the Port of Bilbao, both on Spain's northern coast. The Muga Project is approximately 50 km southeast of the regional capital of Pamplona and falls within the communities of Sangüesa and Javier (Navarra Province) and Undués de Lerda and Urriés (Aragón Province). All the key licences and permits needed to begin the Muga construction have been granted by the authorities in Aragón and Navarra.

The Muga mine is planned to be an underground, room and pillar operation using conventional mining equipment to extract sylvinite mineral from the Muga deposit. The mine will be accessed via two declines from surface to the potash horizon. The run-of-mine (ROM) sylvinite mineral will be conveyed to surface and processed in an on-site process plant to produce approximately 1.0 Mtpa of MOP.

HFR intends to develop the Muga Project in two phases. The first phase (Phase 1) includes the development of the mine, the construction of a process plant, and the construction of all the necessary surface infrastructure to support the future operations and commence the mining and processing operations. Phase 1 is designed to mine and process 400 tonnes per hour (tph) ROM ore to produce approximately 510,000 tonnes per year (tpa) of MOP. Muriate of potash is a 60% K_2O product, known as K60. This indicates that at least 60% of its weight is K_2O, making it roughly 95% pure KCl. In Phase 1 only standard grade muriate of potash (SMOP) will be produced. SMOP is a powdered form of MOP.

In Phase 2, the processing facilities will be doubled in size and a granulation circuit will be added to allow the production of GMOP; ore production will be ramped up to a throughput of 800 tph ROM ore once the Phase 2 process plant expansion is completed. GMOP is a granular form of MOP, that is mixed with other nutrients to produce a blended fertiliser. Located southeast of Pamplona, the SdP tenement area covers approximately 120 km^2 and comprises the three permits of Quiñones, Adiós, and Ampliación de Adiós. SdP is a brownfield target which previously hosted two potash mines operating from the 1960s until the late 1990s and which produced approximately 500,000 tonnes of K60 MOP per annum.

The deposit was historically mined primarily for sylvinite but also for carnallite, before the mine closure in 1996 due to relatively low potash prices. There is potential for potash exploitation in new, unmined areas in the Sierra del Perdón Project area. An initial Mineral Resource Estimate (MRE) for the SdP Project was released on April 7, 2015. The MRE was prepared by independent consultants Agapito Associates Inc. Some exploration work was completed at SdP in 2019; however, no further work has been undertaken since. As of December 31, 2023, HFR considers the 2015 MRE to still be current.

The Pintanos tenement area sits to the east of and adjacent to the Muga Project, and comprises three permits, namely Molineras 1, Molineras 2, and Puntarrón covering an area of 65 km^2. The

drilling permit at Molineras 1 was extended for three years in 2020 and an additional one-year extension was requested in 2023 to complete the works in the area. The extension was granted in early 2024. The Company re-initiated the application process for the drilling permits at Molineras 2 and Puntarrón in 2019; as of the end of 2023, the award of the permit from the authorities remains outstanding.

During 2017, two drill holes were completed at the Pintanos Project. The results from these holes were not favourable when compared to the block model underpinning the initial MRE released in 2013. As a result, a revised MRE was prepared which reported a lower tonnage of Inferred Mineral Resources for the project, and this was reported in Company's annual report for the year ended 30 June 2017. No further drilling has been undertaken at Pintanos. As of December 31, 2023, HFR considers the 2017 MRE to still be current.

1.3 Compliance

This ISR has been prepared in accordance with: (i) the VALMIN Code; (ii) the 2012 Edition of the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code); and (iii) the relevant rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and the ASX pertaining to an IER and ISR.

1.4 Principal Sources of Information

As far as SLR has been able to ascertain, the information provided by HFR was complete and not incorrect, misleading, or irrelevant in any material aspect.

SLR has not attempted to confirm the legal status of the tenements with respect to Highfield ownership, local heritage or potential environmental or land access restrictions.

The principal documents that were relied upon for this ISR are summarized in the References section.

1.4.1 Southey Project

For the current ISR assignment, SLR was provided with access to an HFR virtual dataroom (VDR), containing the latest data and reports prepared on the Southey Project.

The focus of SLR's technical review for the ISR has been the Southey Project. For the purposes of this Report, SLR has relied on the data and information provided by Highfield, via Yancoal, in the VDR, plus relevant public domain information. Such technical information as has been provided by HFR was taken in good faith by SLR.

Additionally, one member of the SLR review team carried out a site visit in October 2024. During the site visit, SLR inspected drill core from Southey, met with representatives from Yancoal, and toured the proposed site where the Southey Project would be built.

1.4.2 The Muga Project and Other Spanish Assets

In 2021 and 2022, SLR undertook technical due diligence reviews for the syndicate of four international financial institutions acting as Mandated Lead Arrangers (MLAs) for the senior secured project financing facilities (the Senior Facilities) signed between HFR, its subsidiary Geoalcali S.L.U, and the MLAs in December 2022.

SLR consultants have carried out site visits to the Muga Project on several occasions in the past and most recently in November 2021, when consultants from SLR visited the Muga site as part

of the latest Independent Lenders Engineer assignment for the MLAs. Apart from some early stage preparatory site preparations at the Muga site, there have been no material changes at Muga or the SdP and Pintanos sites, and in SLR's opinion, a further site inspection was not likely to reveal additional information that would be material to the preparation of the ISR.

For the current ISR assignment, SLR was provided with access to an HFR virtual dataroom (VDR), containing the latest data and reports prepared by HFR for the Muga Project during 2022 and 2023.

The focus of SLR's technical review for the ISR has been the Muga 2023 FS Update. For the purposes of this Report, SLR has relied on the data and information provided by Highfield in the VDR, plus relevant public domain information.

Such technical information as has been provided by HFR was taken in good faith by SLR. SLR has not re-estimated the Mineral Resources or Ore Reserves but has independently assessed the reasonableness of the estimates.

1.5 Effective Date of ISR

The date of this report is February 14, 2025. The Effective Date is February 14, 2025.

For Southey, monetary amounts are expressed in either US dollars (US$) or Canadian dollars (C$) depending on the context within the report. For the Muga Project and other Spanish assets, all monetary amounts are expressed in Euros (€), unless otherwise stated. Where no currency is noted (i.e., $), the reader should assume US$. The report is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results and further project engineering and development.

1.6 Legal Matters

SLR has not been engaged to comment on any legal matters and notes that it is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this Report.

SLR has not attempted to confirm the legal status of the tenements with respect to HFR or Yancoal, local heritage, or potential environmental or land access restrictions.

1.7 Project Team

This Report has been prepared by a team of experienced consultants from SLR's offices in Canada and the United Kingdom, with assistance from specialty firm Agapito Associates, LLC (Agapito). Agapito's assistance was limited to the Southey Project. The consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out in Table 1-1 for Southey and Table 1-2 for the Muga Project and other Spanish Assets.

Table 1-1: Details of the Qualifications and Experience of the SLR and Agapito Consultants - Southey

Name	Title	Responsibility	Length and Type of Experience	Site Inspection	Professional Designation
David J. F. Smith	Global Technical Director and Principal Mining Engineer	Project Director	+40 years; mine consulting, mine operations and contracting, mine engineering, project management, project evaluation	None	CEng, FIMMM
David Robson	Principal Mining Engineer	Project Manager	+18 years of experience in the mining industry covering mine design, engineering, project management, and technical advisory for a variety of global mining projects.	None	P.Eng., MBA
Anna Fardell	Principal Resource Geologist	Mineral Resources and Geology	+15 years; collection, interpretation and audit of geo-scientific datasets; Mineral Resource estimation and reporting in JORC, SAMREC, NI 43-101 primarily for industrial minerals	None	MAIG, FGS
Deliang Han	Principal Geologist (Agapito)	Mineral Resources and Geology	+30 years' experience in geology and geological engineering, including exploration planning, on-site geological support, post-drilling detailed core analysis, geological modeling, resource and reserve modeling, and resource and reserve estimation for various potash mineral deposit explorations	Yes, 2012 and 2014	Ph.D., P.Geo.
Dennis Bergen	Associate Principal Mining Engineer	Mining, Ore Reserves and LOM plan, operating Costs	+40 years; operational and engineering experience in underground mining; scoping, Pre-feasibility Study (PFS) and FS	None	P.Eng.
Biao Qiu	Principal Mining Engineer (Agapito)	Mining, Ore Reserves and LOM plan,	+15 years experience in mining engineering, including resource and reserve estimation for potash, trona, borate, coal, and metals; prefeasibility, feasibility, and detailed design for various mining projects	None	Ph.D., P.E., P.Eng.
Arun Vathavooran	Consultant Metallurgist and Process Engineer	Mineral Processing	+20 years; engineering, consulting and research roles	None	Ph.D., CEng, FIMMM
Derek Riehm	Principal Consultant	Social and Environmental	+30 years; technical due diligence, environmental permitting	None	P.Eng.

Name	Title	Responsibility	Length and Type of Experience	Site Inspection	Professional Designation
Willem van Niekerk	Associate Consultant, Estimating and Controls	Capital Costs	+25 years; Chartered Quantity Surveyor, estimating, schedule, cost, procurement, contract administration and management.	None	PQS, CEP
Manuel Cortes	Financial Modelling	Cash flow modelling	+20 years; financial modelling	None	N/A
Paul Chamois	Associate Principal Resource Geologist and Valuations Lead	Valuation	+30 years; technical reviews to support acquisitions, MRMR estimation. +3 years; valuations	Yes – October 2024	P.Geo.
William E. Roscoe	Associate Principal Resource Geologist	Valuation	45 years of experience as a geologist, including over 25 years as a consulting geologist	None	PhD, P.Eng.

Table 1-2: Details of the Qualifications and Experience of the SLR Consultants – The Muga Project and Other Spanish Assets

Name	Title	Responsibility	Length and Type of Experience	Site Inspection	Professional Designation
David J.F. Smith	Global Technical Director and Principal Mining Engineer	Project Director	+40 years; mine consulting, mine operations and contracting, mine engineering, project management, project evaluation	Yes – 2019 & 2021	CEng, FIMMM
David Robson	Principal Mining Engineer	Project Manager	+18 years of experience in the mining industry covering mine design, engineering, project management, and technical advisory for a variety of global mining projects.	None	P.Eng., MBA
Huw Edmunds	Consultant Resource Geologist	Mineral Resources and Geology	+10 years; collection, interpretation and audit of geo-scientific datasets; Mineral Resource estimation and reporting in JORC, SAMREC, NI 43-101 primarily for industrial minerals	None	CGeol, FGS

Name	Title	Responsibility	Length and Type of Experience	Site Inspection	Professional Designation
Rick Taylor	Principal Mining Engineer	Mining, Ore Reserves and LOM plan	+35 years; operational and engineering experience in underground mining; scoping, PFS and FS	None	MAusIMM (CP)
Humbert Sin	Senior Mining Engineer	Mining and LOM plan	+6 years; engineering and operations experience at underground mines	None	P.Eng., MEng
Arun Vathavooran	Consultant Metallurgist and Process Engineer	Mineral Processing	+20 years; engineering, consulting and research roles	Yes, 2021	Ph.D., CEng, FIMMM
Alastair Middleton	Managing Principal Consultant	Cashflow Analysis	+30 years; technical due diligence, MRMR estimation, mining finance advisory	Yes, 2021	M.Sc., CGeol
Sorina du Toit	Associate Consultant, Estimating and Controls	Capital Costs	+15 years; Chartered Quantity Surveyor, estimating, schedule, cost, procurement, contract administration and management.	Yes, 2021	PQS, CEP
Pierre Landry	Principal Resource Geologist and Valuations Lead	Valuation	+15 years; technical reviews to support acquisitions, MRMR estimation. +3 years; valuations	None	P.Geo.
William E. Roscoe	Associate Principal Resource Geologist	Peer review	45 years of experience as a geologist, including over 25 years as a consulting geologist	None	PhD, P.Eng.

1.8 Independence

Neither SLR nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SLR.

Some of the authors of this Report previously carried out a review on the Southey Project on behalf of Yancoal in 2016. Several of the authors of this Report previously carried out technical due diligence on behalf of senior lenders to Highfield and hence have a good understanding of the Muga Project and the site conditions. SLR has no other recent association with HFR regarding the mineral assets that are the subject of this Report. SLR has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SLR's fee for completing this Report is based on its normal professional daily rates plus reimbursement of any travel and other incidental expenses. The payment of that professional fee is not contingent on the outcome of this Report.

1.9 List of Abbreviations

Units of measurement used in this ISR conform to the metric system.

€	Euro
µ	micron
µg	microgram
a	annum
A	ampere
bbl	barrels
Btu	British thermal units
°C	degree Celsius
C$	Canadian dollars
cal	calorie
cfm	cubic feet per minute
cm	centimetre
cm^2	square centimetre
d	day
dia	diameter
dmt	dry metric tonne
dwt	dead-weight ton
°F	degree Fahrenheit
ft	foot
ft^2	square foot
ft^3	cubic foot
ft/s	foot per second
g	gram
G	giga (billion)
Gal	Imperial gallon
g/L	gram per litre
Gpm	Imperial gallons per minute
g/t	gram per tonne
gr/ft^3	grain per cubic foot
gr/m^3	grain per cubic metre
ha	hectare
hp	horsepower
hr	hour
Hz	hertz
in.	inch
in^2	square inch
J	joule
k	kilo (thousand)
kcal	kilocalorie
kg	kilogram
km	kilometre
km^2	square kilometre
km/h	kilometre per hour
kPa	kilopascal
kVA	kilovolt-amperes
kW	kilowatt
kWh	kilowatt-hour
L	litre
lb	pound
L/s	litres per second
m	metre
M	mega (million); molar
m^2	square metre
m^3	cubic metre
MASL	metres above sea level
m^3/h	cubic metres per hour
mi	mile
min	minute
µm	micrometre
mm	millimetre
mph	miles per hour
Mt	million tonnes
Mtpa	million tonnes per annum
MVA	megavolt-amperes
MW	megawatt
MWh	megawatt-hour
oz	Troy ounce (31.1035g)
oz/st, opt	ounce per short ton
ppb	part per billion
ppm	part per million
psia	pound per square inch absolute
psig	pound per square inch gauge
RL	relative elevation
s	second
st	short ton
stpa	short ton per year
stpd	short ton per day
t	metric tonne
TJ/d	terajoules per day
tpa	metric tonne per year
tpd	metric tonne per day
tph	tonnes per hour
US$	United States dollar
USg	United States gallon
USgpm	US gallon per minute
V	volt
W	watt
wmt	wet metric tonne
wt%	weight percent
yd^3	cubic yard
yr	year

2.0 Southey Project

2.1 Property Location, Access, and Infrastructure

The Southey Project is a proposed solution potash mine located in the province of Saskatchewan (SK), Canada. Southey is wholly owned by Yancoal, a subsidiary of Yankuang based in China.

The project is located approximately 60 km north of Regina, SK, 16 km north of Earl Grey, SK, and 19 km northwest of Southey, SK (Figure 2-1). The site is located approximately 11.5 km from Hwy 6, along grid road 731. The project sits within three Rural Municipalities (RM); Cupar (No. 218), Longlaketon (No. 219), and McKillop (No, 220).

The Southey Project is at Feasibility Stage (completed in 2016) and is covered by mining permits KL242 and KL243. Potash from the three horizons, Patient Lake, Belle Plaine, and Esterhazy, will be extracted from between 1,250 m and 1,300 m below surface through solution mining methods. The planned production rate is 2.8 Mtpa, at steady state.

2.2 Tenure Status

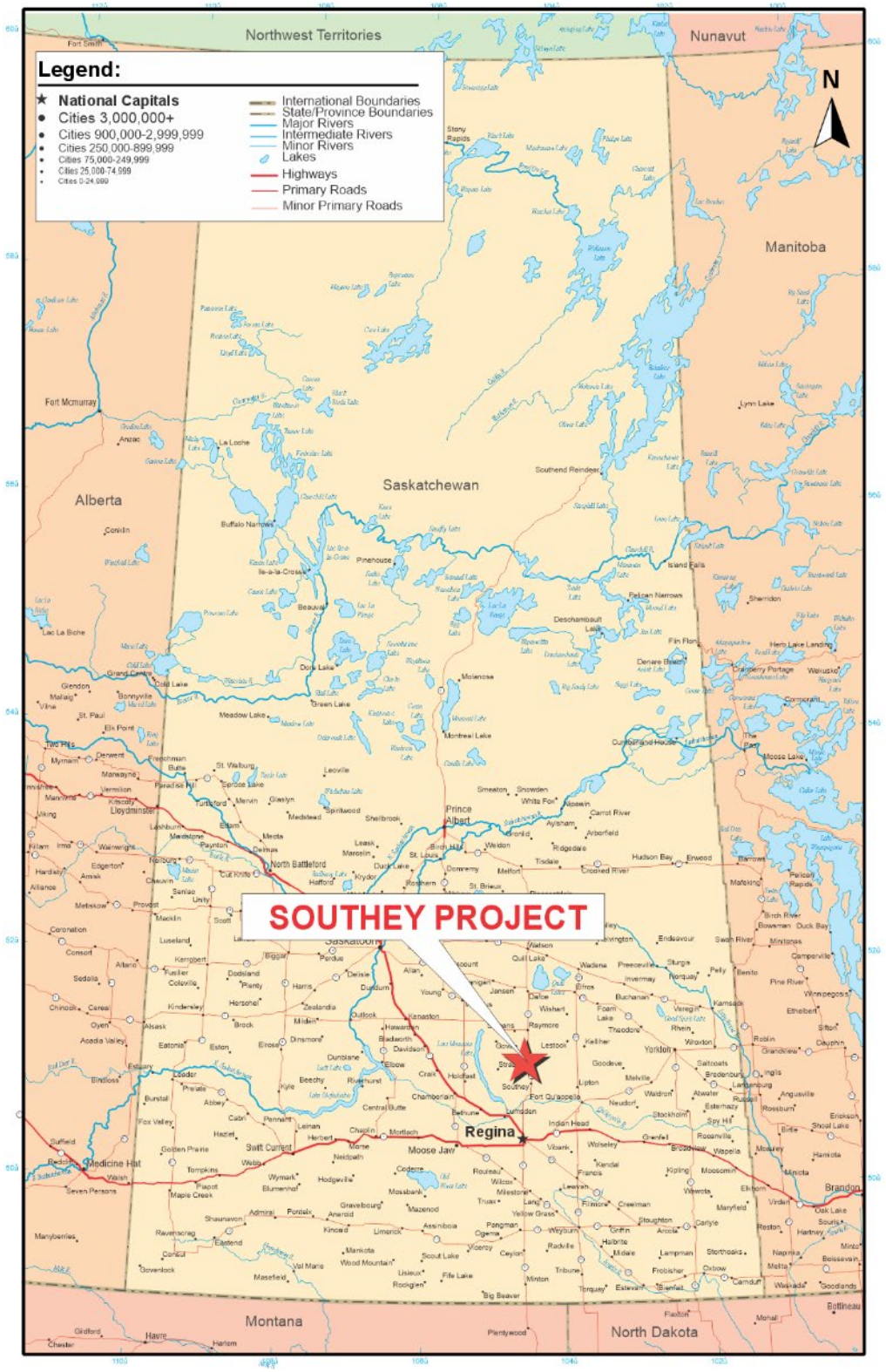
The Southey Project comprises a total of six subsurface mineral leases grouped into three non-contiguous blocks, totalling 129,919 ha, as shown in Figure 2-2. Leases KL242 and KL243 which cover an area of 38,959 ha host the Mineral Resources. The mining concessions were awarded in August, 2016 and expire on February 24, 2037. These may be renewed for another 21 year period. Table 2-1 lists the leases involved and their relevant tenure information.

Table 2-1: Project Southey Leases

Lease No.	Lease Name	Lease Type	Converted From	Issue Date	Renewal Date	Lease Holder	Crown Land (ha)
KL 238	Liberty	Subsurface Mineral	KP 361	19-Aug-16	25-Feb-37	Yancoal Canada Resources Ltd.	13,302.47
KL 239	Turner Lake	Subsurface Mineral	KP 365	30-Aug-16	25-Feb-37	Yancoal Canada Resources Ltd.	30,576.19
KL 240	Horseshoe Lake	Subsurface Mineral	KP 370	30-Aug-16	25-Feb-37	Yancoal Canada Resources Ltd.	32,664.52
KL 241	Penzance	Subsurface Mineral	KP-362	19-Aug-16	25-Feb-37	Yancoal Canada Resources Ltd.	14,416.09
KL 242	Southey West	Subsurface Mineral	KP 377	19-Aug-16	25-Feb-37	Yancoal Canada Resources Ltd.	27,060.52
KL 243	Southey East	Subsurface Mineral	KP 392	19-Aug-16	25-Feb-37	Yancoal Canada Resources Ltd.	11,898.77

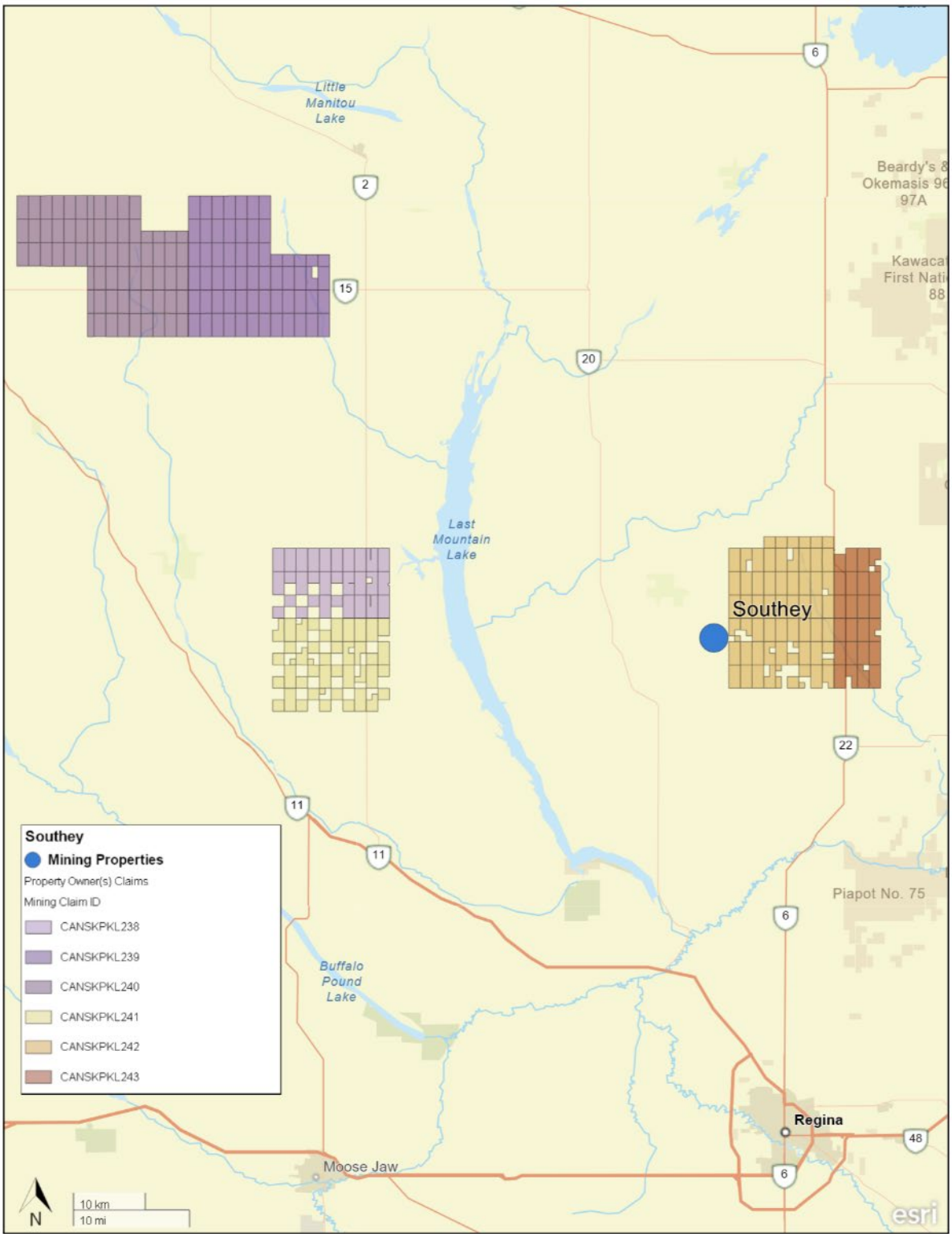
Yancoal holds 100% interest in the Southey mineral tenures and exclusive rights to extract subsurface minerals and conduct further exploration activities. SLR has not independently verified the permitting status, legal status, nor ownership of the Southey Project area or underlying agreements.

Figure 2-1: Southey Project Location Map



Source: SLR 2024

Figure 2-2: Southey Project Mineral Leases



Source: Retrieved from S&P Capital IQ on December 9, 2024

2.3 Geology and Mineralization

2.3.1 Regional Geology

The Southey potash deposits are hosted within Middle Devonian Elk Point Group strata as relatively flat-lying, laterally extensive bedded deposits comprised predominantly of halite, sylvite, carnallite, and insolubles. The Elk Point Group was deposited within a wide intracratonic depositional corridor known as the Elk Point Seaway, which extends from its southern extremities in North Dakota and up to northeastern Montana up through southern and central Saskatchewan and into northeastern Alberta.

Figure 2-3 and Figure 2-4 show the regional geological markers encountered within the southeastern Saskatchewan potash belt. The stratigraphic column may be subdivided into four broad geologic intervals seen below:

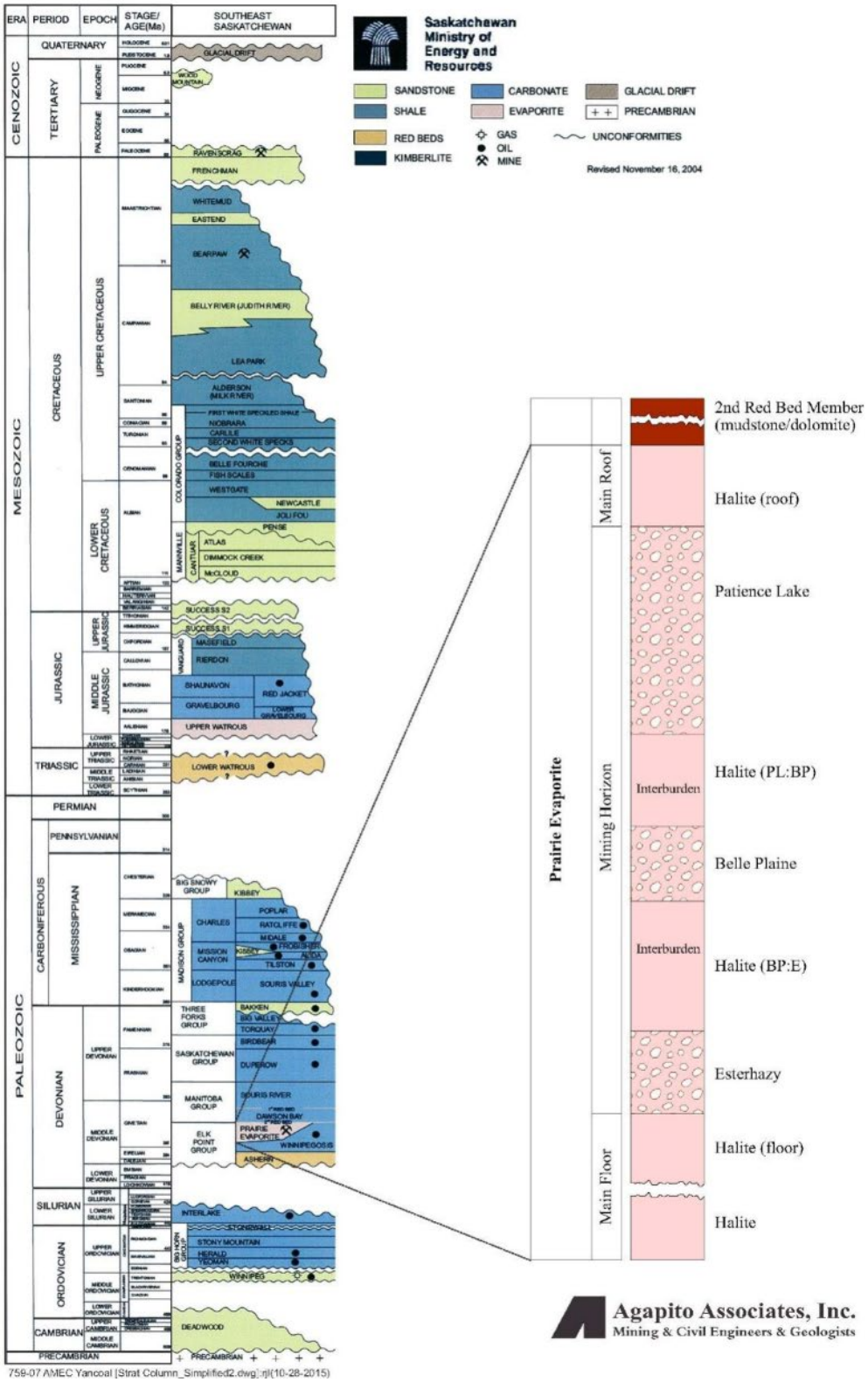
1 Pre-Cambrian basement rock, consisting predominantly of granites, often in horst and graben structures or containing regional lineament trends.

2 Paleozoic strata of more than 2,000 m comprised predominantly of thick successions of interbedded carbonate and evaporate rocks punctuated by shales and sandstones. The potash-bearing salts of the Prairie Evaporite occur within this sequence.

3 Mesozoic shales, siltstones, and sandstones containing limited aquifers of brackish water varying in thickness between 350 m and 700 m

4 An uppermost overburden sequence comprised of Cenozoic glacial tills, gravels, and clays. This sequence is approximately 150 m thick, and up to 200 m, locally. This sequence commonly contains freshwater aquifers.

Figure 2-3: Saskatchewan Stratigraphic Column and Correlation Chart



Source: Agapito 2016.

2.3.2 Local Geology

The potash beds of the Southey Project occur within the uppermost strata of a relatively thick evaporite succession known as the Prairie Evaporite. The Prairie Evaporite is present within the lowermost Phanerozoic sequence and commonly reaches thicknesses of up to 200 m, occurring between 1,250 m and 1,450 m below surface, as summarized in Table 2-2. The Prairie Evaporite is deposited on the carbonate Winnipegosis Formation and unconformably overlain by the Dawson Bay Formation carbonates. Figure 2-4 shows a regional cross section of the Prairie Evaporite Formation and its potash-bearing members in Saskatchewan, with the stratigraphic nomenclature taken from Holter (Holter 1969). A map indicating the position of the Southey Project Area in relation to the section is also included in the figure.

The Prairie Evaporite is divided into three principal potash-bearing members and one auxiliary member. They are the Esterhazy Member, the Belle Plaine Member, and the Patience Lake Member. These beds are generally flat-lying and are formed of interbedded sylvite, halite, carnallite, clays, and minor amounts of anhydrite. The auxiliary potash member, the White Bear Marker Beds, is situated between the Belle Plaine and the Esterhazy members.

2.3.2.1 Esterhazy Member

The Esterhazy Member is the lowermost potash-bearing member and is present in all holes drilled in the project area. Regionally, the Esterhazy Member typically exhibits the largest potash crystal sizes and the lowest clay content of all of the Saskatchewan potash members. At the Southey Project, the Esterhazy Member is a mixture of relatively clean, interlocking, medium to coarse crystalline sylvite and halite with moderate to trace amounts of interstitial carnallite. It is separated from the Belle Plain by a relatively thick sequence of barren salt (i.e., the “Belle Plaine-Esterhazy Interbed Salt”) averaging 19.7 m in thickness. The Esterhazy Member is thicker in the east of the project area (8.5 m) and thins to the west (6.5 m). Contrary to the other potash members the Esterhazy has a variable grade of between 11.2% and 24.1% K_2O, averaging 16.7%. Many of the drill holes have more than 6% carnallite.

2.3.2.2 Belle Plaine Member

The Belle Plaine potash bed can be subdivided into an upper and lower submember, separated by a bed of low-grade clay-rich halite as illustrated in Figure 3-11. The upper Belle Plaine is substantially thicker than the lower Belle Plaine, which average 5.8 m and 1.5 m, respectively. The interbed separating them averages 1.5 m in thickness. The depth to the top of the Belle Plaine Member averages approximately 1,270 m (-700 masl) ranging from 1,258 m in the east to nearly 1,280 m in the west. Within the Yancoal holes, the Belle Plaine averages approximately 8.0 m in total thickness and is relatively uniform, but increases to more than 14.0 m where carnallite pods are present. Regionally, crystal sizes tend to increase and clay content decreases moving down section from the Patience Lake to the Belle Plaine Member, a trend which is reflected at Southey. The average K_2O grade is 17.5%.

2.3.2.3 Patience Lake Member

The Patience Lake Member is the uppermost potash member of the Prairie Evaporite. It generally thins from the west to east at Southey, as shown in Figure 2-4. It is typically mixture of fine, equicrystalline and equant, interlocking sylvite, halite, and clay. In general, the Patience Lake Member contains the highest abundance of clay which is present both as interstitial disseminations and discreet seams. Areas of massive carnallite have been found within this interval, some containing seams of 100% carnallite. The average K_2O grade is 19.2%.

2.3.2.4 Carnallite

Carnallite occurs as disseminated crystals within sylvinite or as massive carnallite with little or no sylvinite. The disseminated carnallite occurs principally in the Esterhazy Member. Massive carnallite has been recovered in the core from the Patience Lake and Belle Plaine beds. Carnallite is a significant pollutant in mining operations because it is the primary source of magnesium. Magnesium is tolerable only in small quantities in plant processes and, because of that, areas where there is high carnallite content are excluded from the resource.

Table 2-2: Potash Member Key Features

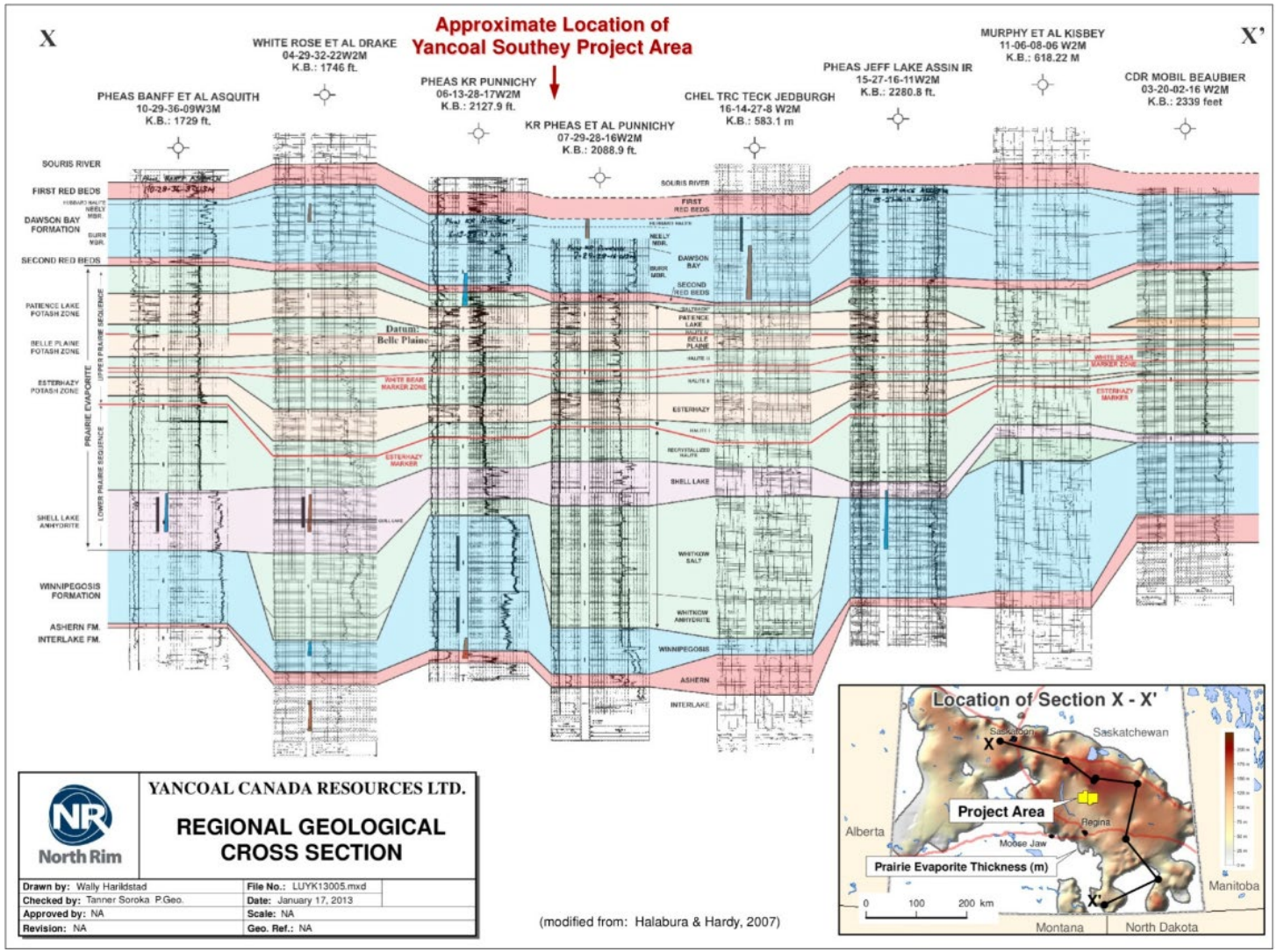
Member	Average Depth (mKb)	Average Thickness (m)	Weighted Average K_2O Grade from Sylvite (wt %)	Weighted Average KCl Grade from Sylvite (wt %)
Patience Lake	1,256	7.52	19.24	30.45
Belle Plaine	1,270	8.83	17.47	27.65
Esterhazy	1,299	7.32	16.71	26.46

Source: Agapito 2016.

2.3.2.5 SLR Comment

Overall regional and local geological setting and the controls on mineralisation are well known. Mineralogy is predominantly sylvite, a high-grade and economically significant potassium mineral.

Figure 2-4: Regional Geology Cross Section Showing Stratigraphic Relationships of the Prairie Evaporite Formation



Source: North Rim Exploration 2013.

2.4 Exploration History and Exploration Potential

2.4.1 Exploration History

Limited historical exploration work was available for KP377 and KP392 before 2012. Yancoal commissioned North Rim to conduct a desktop geological review of the area in 2012 and KP377 and KP392 were identified as high priority targets. A seismic survey of both areas was conducted in 2012 covering 237 km as part of the Loon Creek 2D Seismic Program. Yancoal undertook an additional 48.8 km of new seismic in the fourth quarter of 2012, totalling 325.8 km. Nine target locations were identified from the seismic studies for drill testing. Drilling and coring was completed at seven of these nine locations, as discussed in Section 3.5.

In the second quarter of 2013, a further 88.2 km^2 of 3D seismic survey was captured over the Southey Project area to further investigate the subsurface geology and determine if there were any anomalous features which could affect mining. The new 3D seismic was combined with the existing 2D data to form the Loon Creek Seismic Dataset. This identified features such as seismic character change, Winnipegosis mounds, and new/revised collapse features.

The Loon Creek Seismic Dataset was provided to the RPS Group (a geophysical contractor and consultant) in 2014 and reinterpreted to include carnallite probability maps. Drill Stem Tests (DSTs) were also carried out between 2012 and 2014 to determine whether the Dawson Bay Formation, which lies directly above the Prairie Evaporite was wet or dry. In all instances, the DSTs indicated that the formation was dry.

2.5 Drilling, Sampling, Analysis, and Data Verification

2.5.1 Drilling, Sampling, and Analysis

A total of 16 drill holes were drilled between 2012 and 2014. The drill holes were designed to further evaluate the potash mineral potential of the Prairie Evaporite Formation under the project area and were spaced with consideration to specific mineral resource buffers and to avoid anomalous geological conditions. Spacing varies between drill holes. The Prairie Evaporite was cored past the base of the Esterhazy Member in all drill holes until no visible sylvite was observed in the core samples. Downhole geophysics was run on all 16 drill holes for natural gamma, neutron porosity and density porosity. 14 drill holes lie within the 3D seismic area and two are found outside the boundary.

All three of the major potash-bearing members are present in all drill holes. The three potash members were cored, sampled and geochemically analyzed. All geochemical sampling activities for the 2012 drill holes were carried out at North Rim's Core Lab. One continuous sampling interval was selected by the North Rim geologists. The first sample was chosen just above the second Red Bed / Prairie Evaporite contact and the sampling interval extended to the base of the cored section. Sampling was completed at least 2 m past the evaporite section. A maximum of 0.5 m intervals were taken in the salt and interburden. Evaporites were sampled at 0.3 m intervals.

Samples were crushed, split and analyzed according to the parameters stated in Saskatchewan Research Council's (SRC) basic potash analysis package. Quality assurance and quality control (QA/QC) measures were strictly adhered to, including the use of standards, blanks and duplicates throughout the analysis period. With each set of 40 samples, two potash standards and one sample pulp replicate analysis was completed. Two known pulp reference materials, "POT004" and "POT003" were alternately inserted into the sample stream every twenty

samples. These standards constitute a typical high grade (POT004) and low grade (POT003) potash reference material to use as a check for accuracy of results. The materials were developed by the SRC, and were inserted into the sample stream by the North Rim geologist. After processing the entire group of samples, a split sample replicate was completed. The splitter and crusher were cleaned between each sample to prevent contamination. After receiving all results from the Geoanalytical Lab, the SRC QA/QC department completed checks to ensure accuracy. All reported values were found to lie within acceptable limits. SRC is an accredited lab, having achieved International Organization for Standardization (ISO) 17025.

Prior to geochemical sampling, whole core dissolution samples were selected from drill hole 4-30-24-18W2 to gather significant dissolution properties to be utilized in cavern development and design planning. All dissolution sampling was performed by DEEP Underground Engineering (DEEP) in Bad Zwischenahn, Germany.

2.5.2 Data Verification

On October 30, 2024, Paul Chamois, Associate Principal Geologist with SLR and a Qualified Person in the Province of Saskatchewan (Reg. #14155) visited the Southey Project. SLR was given full access to the Property and no limitations were placed on Mr. Chamois.

At the time of the visit, no exploration or development activities were on-going on the Southey Project. The purpose of the site visit was to inspect the Property and assess logistical aspects relating to access and the ability to conduct work in the area, and to confirm the geological setting. The visit included inspection of core from multiple drill holes stored at the Saskatchewan Core Laboratory in Regina.

Because of the advanced stage of the Southey Project, no independent sampling of the core was thought to be necessary. Visual confirmation of sylvite mineralization over significant core lengths was made.

2.5.2.1 SLR Comment

Overall, SLR considers the drilling, logging, and sampling that Yancoal and its consultants completed on the Southey Project to be appropriate for the delineation and characterisation of the potash deposit. It has produced representative samples which support the highest confidence of resource classification.

SLR was able to confirm the provenance of the Yancoal exploration data, the potash intervals, borehole locations and the procedures used on site for collection and storage of geological data.

2.6 Mineral Resources and Ore Reserves

SLR reviewed the 2016 FS report as the basis for the review and evaluation. A site visit was conducted by Paul Chamois. Supporting information such as a drill hole database, geological or resource model that form the basis for the Mineral Resource estimate and Mineral Reserve statement, were reviewed by Agapito, working in collaboration with SLR.

2.6.1 Mineral Resources

2.6.1.1 Database

The resource was estimated from geochemical analyses of core sampled from 16 cored and analyzed drill holes. The stratigraphy was modeled using Carlson Mining software (2015) and Mintec's MineSight software (2015). The Resource database consisted of lithology logs,

geochemical sample analyses, and downhole geophysical logs. Geochemical analyses for the missing sylvinite core were estimated using correlation with the downhole gamma and density log to determine potassium (sylvite) and respective K_2O and KCl content. Sylvite has a distinctly higher density (1.98 g/cm^3) than Carnallite (1.6 g/cm^3). Linear transformations were used to approximate other forms of potassium and magnesium from the laboratory-reported oxide values. Sylvite can be estimated from K_2O by the expression KCl = K_2O x 1.583. Similarly, magnesium is reported from the core samples as MgO. MgO is commonly expressed as magnesium chloride ($MgCl_2$) or as carnallite. The expression to convert MgO to $MgCl_2$ is $MgCl_2$ = MgO x 2.362 and the expression to convert MgO to carnallite is MgO x 6.892.

2.6.1.2 Geological Modelling

The stratigraphy was modelled in layers including Patience Lake, Belle Plaine and Esterhazy using Carlson Mining Software and Minesight Software which is appropriate for representing thin continuous layers over a wide spaced area.

Inverse distance-squared (ID2) interpolation was used to estimate the mining horizon elevations, thicknesses, and grades. No further parameters were provided such as minimum and maximum number of samples. The tonnage was calculated by applying a density 2.08 t/m^3 to the potash volume.

SLR considers the modelling method appropriate for the deposit type.

2.6.1.3 Classification and Reporting

The mineral resources were classified as Measured, Indicated and Inferred based on distance from the drill hole. Measured was applied from 0-800 m, Indicated from 800-1,600 m and Inferred from 1,600 m to 5,000 m. No other criteria was used for classification. The average drill hole spacing is 2,500 m which means that this approach created isolated islands of Measured Resources around the drill holes, not supported by close spaced sampling (Figure 2-5). SLR considers that Measured should be applied to areas where the drill hole spacing is 1,600 m or less. No areas of the licence are drilled this closely and therefore resources should not be reported at this confidence level, although the approach described above is consistent with other Prairie evaporite potash projects.

To apply a level of conservatism, SLR considers there to be no Measured Resources in the licence, only Indicated and Inferred.

Additionally, to the classification areal “geologic losses” were applied to the in-situ modelled tonnages of 5% for Measured, 9% for Indicated and 25% for Inferred to produce the final tonnages.

SLR considers that the confidence in the tonnages should be reflected in the classification and or a delineated buffer around excluded areas or known faults. However, given the size and extent of the Mineral Resources, this is not considered material to the overall numbers.

2.6.1.4 Resource Summary

Mineral Resources are shown in Table 2-3, and were reported in accordance with the JORC Code (2012 Edition) by Amec Foster Wheeler Americas Inc. (Amec Foster Wheeler).

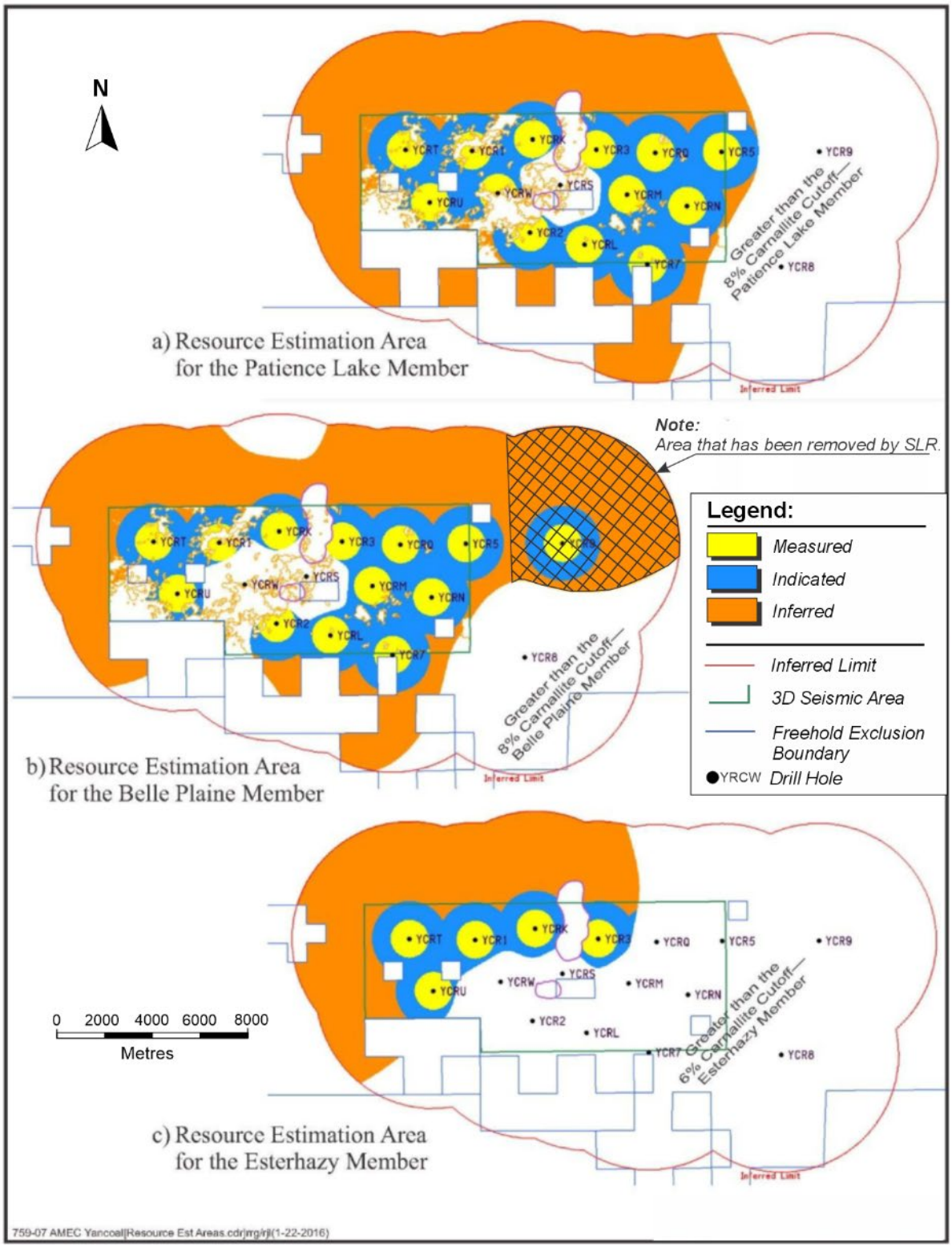
Table 2-3: Summary of Mineral Resources – January 2016

Resource Category	Member	Tonnage (Mt)	K_2O (%)	KCl (%)	Contained K_2O (Mt)	Contained KCl (Mt)
Measured	Patience Lake	323	19.98	31.63	64.54	102.16
	Belle Plaine	312	19.49	30.85	60.81	96.25
	Esterhazy	85	20.63	32.66	17.54	27.76
Sub-Total Measured		721	19.82	31.38	142.9	226.25
Indicated	Patience Lake	551	19.86	31.44	109.43	173.23
	Belle Plaine	516	19.15	30.32	98.81	156.45
	Esterhazy	212	18.1	28.65	38.37	60.74
Sub-Total Indicated		1,280	19.27	30.5	246.66	390.4
Measured + Indicated	Patience Lake	875	19.88	31.47	173.95	275.36
	Belle Plaine	829	19.25	30.47	159.58	252.6
	Esterhazy	297	18.82	29.79	55.9	88.48
Sub-Total Measured + Indicated		2,001	19.46	30.81	389.39	616.51
Inferred	Patience Lake	1,228	19.6	31	240.7	380.7
	Belle Plaine	1,697	18.6	29.4	315.6	498.9
	Esterhazy	728	17.3	27.4	125.9	199.5
Sub-Total Inferred		3,653	18.7	29.6	683.1	1,081.3

Notes:
1. Definitions in the JORC Code were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 15% K_2O with no minimum thickness applied
3. Inferred at 1,600-5000m are estimated at a cut-off grade of 8% carnallite in the Patience Lake and Belle Plaine, and 6% in Esterhazy
4. Spatial deductions have been made from the Resources to exclude freehold areas, high carnallite areas, geological anomalies

During the review of the Mineral Resources, SLR noted that portions of the Belle Plaine Member corresponding to the YCR9 drill hole are outside of the current mineral tenure. This does not affect the Ore Reserves. SLR estimated the updated Mineral Resource, as shown in Table 2-4 by subtracting the contained K_2O and tonnage based on the thickness and grade of the potash intercepts, from the affected area. The updated mineral tenure is indicated by the western-most vertical line of the hatched area with the caption "*Area that has been removed by SLR*" noted on the Belle Plaine member in Figure 2-5.

Figure 2-5 Exclusions and Classification for the Resource Estimation in the Patience Lake, Belle Plaine and Esterhazy Members



Source: Modified from Agapito 2016.

Table 2-4: Summary of Mineral Resources after Accounting for New Mineral Tenure and Reclassification

Resource Category	Member	Tonnage (Mt)	K_2O (%)	KCl (%)	Contained K_2O (Mt)	Contained KCl (Mt)
Indicated	ALL	1,861	19.53	30.91	364	575
Inferred	ALL	3,359	18.67	29.53	627	992

Notes:
1. Definitions in the JORC Code were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 15% K_2O with no minimum thickness applied
3. Inferred at 1,600-5000m are estimated at a cut-off grade of 8% carnallite in the Patience Lake and Belle Plaine, and 6% in Esterhazy
4. Spatial deductions have been made from the Resources to exclude freehold areas, high carnallite areas, geological anomalies

2.6.2 Ore Reserves

2.6.2.1 Ore Reserves Summary

Proved and Probable Ore Reserves at the Southey Project were estimated to total 186.4 million tonnes (Mt) KCl. The Ore Reserves are located in three separate beds, Patience Lake (PL), Belle Plaine (BP), and Esterhazy (EH). Standards defined by the 2012 JORC Code were used for Ore Reserves classification. The Ore Reserve estimates were compiled by Amec Foster Wheeler and are described below and summarized in Table 2-5.

Table 2-5: Summary of Feasibility Study Ore Reserves – September 2016

Bed	Category	In situ Tonnage (Mt)	KCl (%)	K_2O (%)	KCl In situ (Mt)	Loss to Anomaly (%)	Cavern Recovery (%)	KCl Extracted (Mt)	K_2O (Mt)
PL	Proved	119.8	31.95	20.18	38.3	5%	87%	31.6	20.0
BP	Proved	89.5	35.38	22.35	31.7	5%	74%	22.3	14.1
EH	Proved	42.8	31.82	20.10	13.6	5%	75%	9.7	6.1
Total	**Proved**	**252.2**	**33.15**	**20.94**	**83.6**			**63.6**	**40.2**
PL	Probable	225.7	31.73	20.04	71.6	5%	87%	59.2	37.4
BP	Probable	184.9	33.88	21.40	62.6	5%	74%	44.0	27.8
EH	Probable	89.8	30.52	19.28	27.4	5%	75%	19.5	12.3
Total	**Probable**	**500.4**	**32.36**	**20.44**	**161.7**			**122.8**	**77.6**
PL	P&P	345.6	31.81	20.09	109.9			90.8	57.4
BP	P&P	274.4	34.37	21.71	94.3			66.3	41.9
EH	P&P	132.6	30.94	19.54	41.0			29.2	18.5
Total	**P&P**	**752.6**	**32.59**	**20.59**	**245.3**			**186.4**	**117.7**
Notes:									

1. The standard adopted in respect of the reporting of Ore Reserves of the Southey Project, following the completion of required technical studies, is the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
2. The Ore Reserve estimate is reported on a 100% ownership basis.
3. Ore Reserves include allowances for 41.6% extraction of resources, losses to unknown anomalies and cavern recovery.
4. Plant recovery is not included.
5. Ore Reserves are estimated at a cut-off grade of 15% K_2O (23.75% KCl) and a minimum thickness of one metre.
6. Cavern recovery assumes that brine left in cavern is fully saturated.
7. Reserves account for unknown anomalies (5% for proven and probable).
8. Numbers may not add due to rounding.

The Ore Reserves are based upon the conversion of Measured and Indicated Mineral Resources to Proved and Probable Ore Reserves. No inferred Mineral Resources were converted to Ore Reserves. The Ore Reserves were estimated by:

- laying out production caverns within the resource area,
- gridding potash grade, bed thickness, and bed elevation over the measured and indicated resource areas based on drill hole data
- estimating grade and thickness using inverse distance squared analysis
- estimating recoverable KCl tonnages for each planned cavern.

Losses due to the presence of carnallite and known stratigraphic anomalies are considered in the resource estimate. The ore zones are generally flat lying but any areas with a dip in excess of 3% were excluded from the ore reserves.

The Ore Reserves were estimated in a 2016 FS by Amec Foster Wheeler and subsequently reviewed by Advisian Worley Parsons Group (Advisian 2016) and Wood (2024). Advisian considered the Ore Reserve estimate to be slightly aggressive and recommended that losses of 9% (as opposed to 5%) be applied in the conversion of Measured Mineral Resources. Advisian did not consider the difference to be material.

The magnesium and insoluble content of the reserves is summarized in Table 2-6 together with the planned KCl and MOP production from the reserves.

Table 2-6: Ore Reserve Constituents and Plant Production

Bed	Category	Tonnage (Mt)	KCl (%)	$MgCl_2$ (%)	Insoluble (%)	KCl Extracted (Mt)	Plant Recovery (%)	KCl Produced (Mt)	MOP Produced (Mt)
PL	Proved	119.8	31.95	0.32	7.92	31.6	93%	29.4	30.0
BP	Proved	89.5	35.38	0.33	4.1	22.3	93%	20.7	21.1
EH	Proved	42.8	31.82	0.61	3.05	9.7	93%	9.0	9.2
	Total	252.2	33.23	0.37	5.68	63.6	93%	59.2	60.3
								-	-
PL	Probable	225.7	31.73	0.46	7.72	59.2	93%	55.1	56.1
BP	Probable	184.9	33.88	0.44	3.93	44.0	93%	41.0	41.7
EH	Probable	89.8	30.52	1.1	3.08	19.5	93%	18.2	18.5
	Total	500.4	32.36	0.56	5.46	122.8	93%	114.2	116.4

Bed	Category	Tonnage (Mt)	KCl (%)	$MgCl_2$ (%)	Insoluble (%)	KCl Extracted (Mt)	Plant Recovery (%)	KCl Produced (Mt)	MOP Produced (Mt)
								-	-
PL	P&P	345.6	31.81	0.41	7.79	90.8	93%	84.5	86.1
BP	P&P	274.4	34.38	0.40	3.99	66.3	93%	61.7	62.9
EH	P&P	132.6	30.95	0.94	3.07	29.2	93%	27.2	27.7
	Total	752.6	32.59	0.50	5.54	186.4	93%	173.3	176.7

Notes:
1. Plant recovery is a blend of primary and secondary brine recovery
2. MOP = muriate of potash (K62 or 98.1% KCl).

Based on update classifications to the Mineral Resources, SLR considers that all the ore reserves are classified as probable. SLR notes that the updates to the mineral tenures that affected the mineral resource estimate does not impact the ore reserves. The updated ore reserve is shown in Table 2-7.

Table 2-7: Summary of Ore Reserves After Reclassification

Category	In situ Tonnage (Mt)	KCl (%)	K_2O (%)	KCl In situ (Mt)	K_2O In situ (Mt)	KCl Extracted (Mt)	K_2O Extracted (Mt)
Probable	752.6	32.59	20.59	245.3	154.9	186.4	117.7

Notes:
1. The standard adopted in respect of the reporting of Ore Reserves of the Southey Project, following the completion of required technical studies, is the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
2. The Ore Reserve estimate is reported on a 100% ownership basis.
3. Ore Reserves include allowances for 41.6% extraction of resources, losses to unknown anomalies and cavern recovery.
4. Plant recovery is not included.
5. Ore Reserves are estimated at a cut-off grade of 15% K_2O (23.75% KCl) and a minimum thickness of one metre.
6. Cavern recovery assumes that brine left in cavern is fully saturated.
7. Reserves account for unknown anomalies (5%).
8. Numbers may not add due to rounding.

2.6.3 SLR Comments

SLR is of the opinion that:

- The Mineral Resources should be classified as Indicated and Inferred only given that the drilling is spaced at 2,500 m and the Measured areas do not form contiguous mining blocks. Accordingly, the Ore Reserves should all be classified as Probable Ore Reserves.
- The Ore Reserve for the Southey Project has been estimated appropriately.
- The LOM plan contains approximately 163.5 Mt MOP or 92.5% of the Ore Reserves.
- The LOM plan should contain all of the Ore Reserves but that in light of the long project life the difference is not considered material.

- The Ore Reserve classification is a straight conversion of Measured Resources to Proved Reserves and Indicated Resources to Probable Reserves. In light of the blending of categories in many caverns, any blended production should be classified as Probable and that any future reporting should either report Proved Reserves only from caverns that are completely within the Measured category and any mixed production caverns should be reported as Probable Reserves.

SLR recommends that:

- At the next stage of engineering, the comments by Advisian related to losses in conversion of Measured Mineral Resources be reviewed and considered.
- In future studies the LOM plans and Ore Reserves be reconciled so that mining plans exist for all of the Ore Reserves.

2.7 Mining

The Southey Project is a planned potash solution mining operation. Potash will be recovered from three horizons located some 1,300 m below surface through the borehole injection of water and/or brine and the recovery of a potash rich brine by borehole. The potash rich brine will be treated for the extraction of potash and solution will be recirculated for ongoing potash production. The operation is planned to produce 2.8 Mtpa of potash fertilizer (K62, 62% K_2O).

SLR has reviewed and relied upon the FS and the independent reviews provided by the client. The 2016 reports provide some technical comments though none were considered material and SLR recommends that the comments be reviewed as appropriate in the next stage of study. The report by Wood provided updated capital and operating cost estimates and a revised financial model assessment.

2.7.1 Surface Constraints

Surface constraints within the Yancoal permits KL 242 and KL 243 include highways, roads, farms, waterbodies and river/watersheds. Two provincial highways, 6 and 731, pass through the property and in the FS there were 42 farms identified by remote sensing within the 3D seismic areas. Lakes and river/watersheds were also identified within the property. These surface features may be affected by drilling and surface subsidence induced by solution mining.

2.7.2 Mining Intervals

Mining intervals were selected to meet cut-off criteria for thickness and grade. The intervals were used for the interpolation of the interval thicknesses, K_2O and MgO content. The cut-off criteria are:

- The minimum potassium grade cut-off is 15% K_2O (23.7% KCl)
- Exclusion of areas of massive carnallite, areas in the Patience Lake and Belle Plaine where the carnallite content exceeds 8%, and areas in the Esterhazy where the carnallite content exceeds 6%.
- Indicated and Measured resource included must fall within the 3D seismic exploration area.

2.7.3 Geotechnical Parameters

Creep tests were conducted on fifteen potash and salt core samples over a period of 60 days. The creep test results were not complete in time for use in the PFS. Values of the creep model

parameters used in the PFS report were based on Agapito Associates Inc.'s (Agapito) experience. Rock mechanics testing on potash, salt, and non-salt core samples included uniaxial compressive strength (UCS) and triaxial compressive strength (TCS) tests.

2.7.4 Cavern Design

After consideration of horizontal wells versus vertical wells, vertical wells with two holes per cavern were chosen. The stability of various cavern geometries was evaluated using the site-specific rock properties and three-dimensional numerical modeling. Cavern stability, casing integrity, and surface subsidence were assessed for 75 m radius caverns with 80 m wide pillars (areal extraction ratio of 41.6%) and 80 m radius caverns with 70 m wide pillars (areal extraction ratio of 46.2%).

From the FLAC3D modeling of four scenarios, it was concluded that:

- The cavern remained open during and after solution mining of each member.
- Cavern deformations depend primarily upon cavern and pillar sizes.
- The estimated casing strains in the Second Red Beds, the salt Back, and the potash and salt members are substantially higher than the yield of strain of, e.g., P110 steel. The casings, which were assumed to be grouted in place, will allow the rock displacements, allowing stresses to build unless there are provisions that allow the casing to slip.
- Predictions of ground surface subsidence were about -2.0 m to -2.5 m for at the end of mining the Patience Lake Member.
- The Patience Lake Member started to close after 25 years since the start of mining.
- A larger cavern with a 46.2% extraction ratio was almost as stable as a smaller cavern with a 41.6% extraction ratio under the same conditions.

Both options were considered acceptable but the 75 m radius caverns with 80 m wide pillars were chosen for the design. The larger caverns may be adopted in the future based on the initial mining experience.

2.7.5 Hydrogeology

Aquifers are present at varying depths within the subsurface. These aquifers are present above and below the Prairie Evaporite and can be used as water supplies or disposal locations for solution mining projects.

In the regional study area the near surface aquifers may be composed of poorly sorted or well sorted gravel and/or sand, and aquitards may be composed of glacial till, lacustrine silt, and clay deposits, or marine silt and clay bedrock deposits. Hydrogeology in the RSA involves the interactions among surficial sands and gravels, inter and intra till granular sediments, and preglacial valley fills.

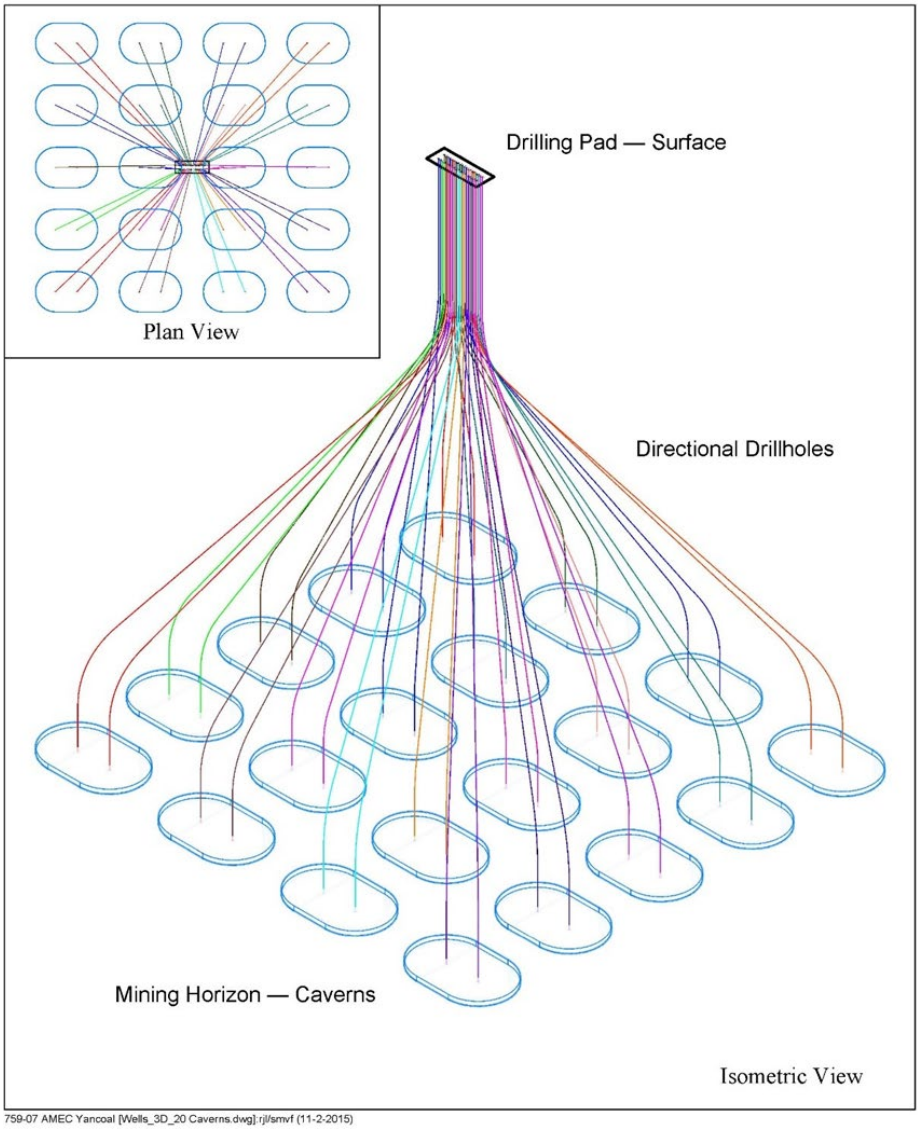
There are also deeper aquifers and one of the major regional aquifers at depth is found in the Lower Cretaceous, Mannville sands. This aquifer could be used as a water supply for the project but would likely require several wells to provide sufficient amounts of water.

2.7.6 Mine Design

The active potash solution mining at Mosaic's Belle Plaine Mine was adopted as the base case for the FS. The solution-mining design utilizes two directionally drilled wells approximately 1,430 m in measured depth with the total depth location separated by about 80 m to form a single,

solution-mining cavern. The drilling design is based upon up to 40 directional wells drilled from a centralized well pad to develop up to 20 solution mining caverns for each drill pad pattern as shown in Figure 2-6.

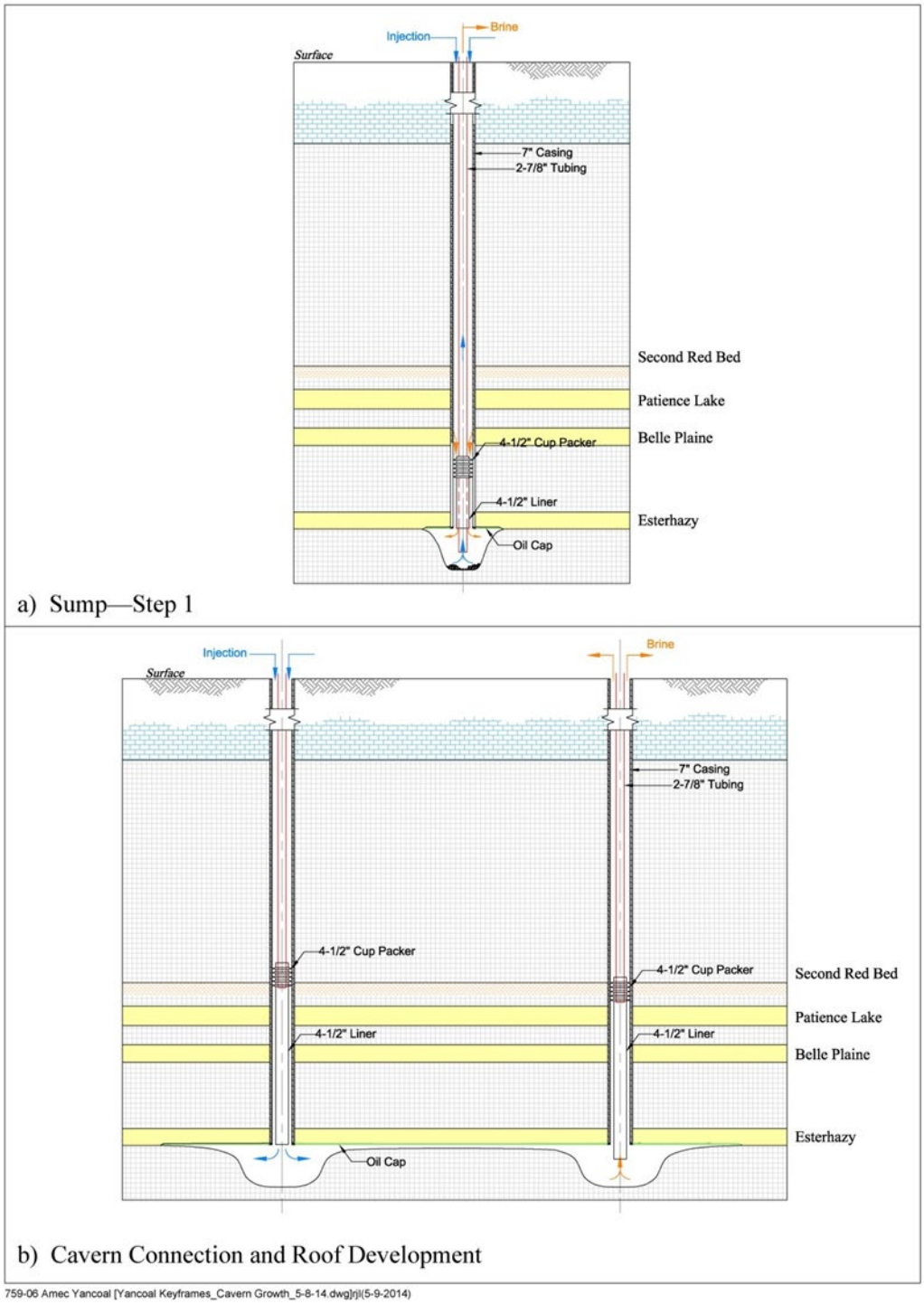
Figure 2-6: Drill Pattern and Cavern Layout



Source: Amec Foster Wheeler 2016.

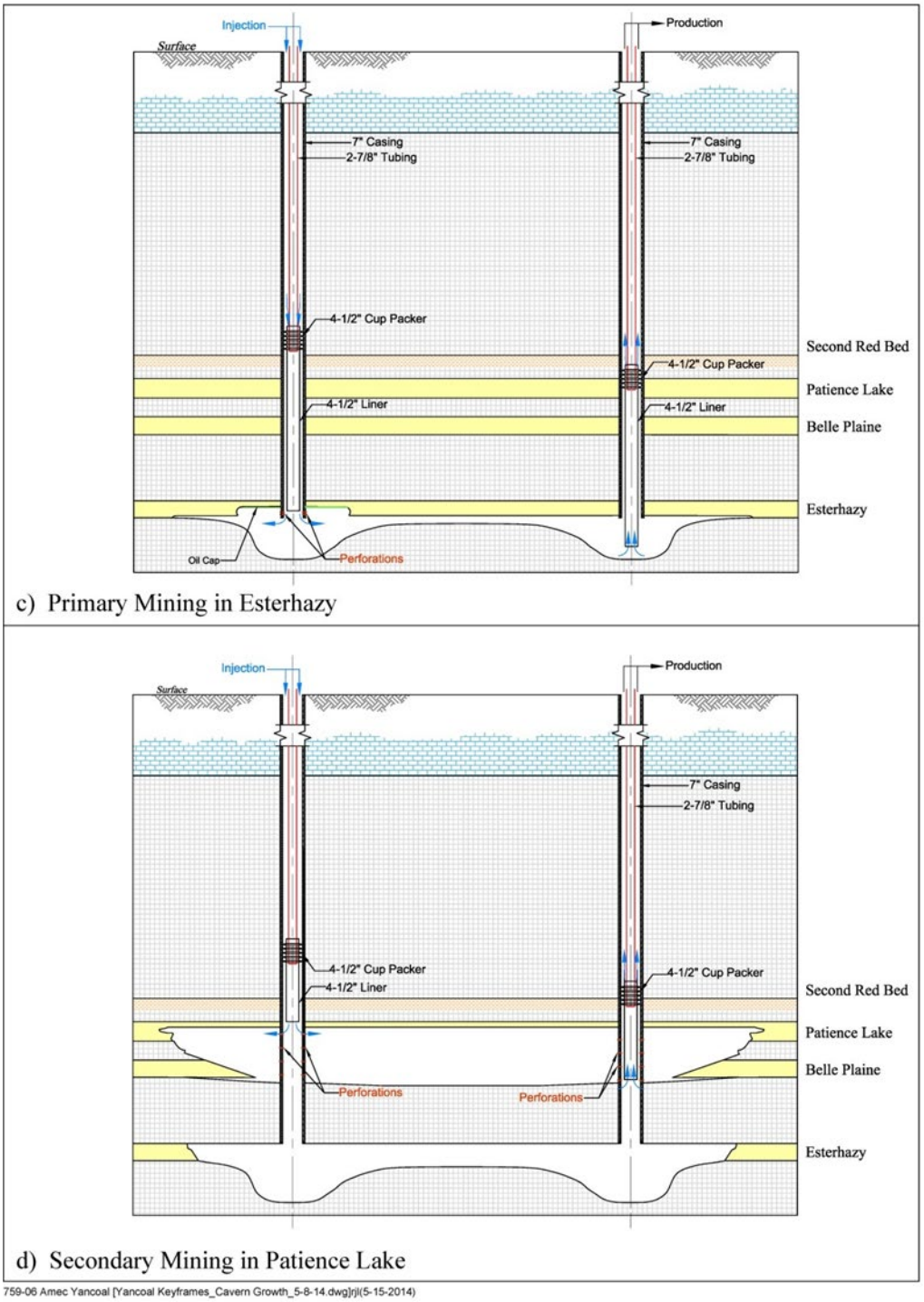
Mining is based upon the mining of the individual caverns in a pattern. After the wells to a cavern are completed the connection of the two wells is achieved by solution mining individual caverns from each of the two wells in the halite layer directly beneath a potash member until the two individual caverns merge together. Upon establishing connection of the two wells, additional salt beneath the potash member is mined to establish surface area for the potash solution mining. The extraction process is shown in Figure 2-7 and Figure 2-8. The potash is progressively mined in an upward direction in 1-1.5 m horizontal layers through the overlaying potash beds. After mining to about 70% of the total resource in a cavern, secondary mining (selective mining) is initiated by injecting brine saturated in NaCl. Secondary mining can be used to mine the remaining KCl in the cavern roof.

Figure 2-7: Solution Mining Sequence – Sump and Cavern Development



Source: Amec Foster Wheeler 2016.

Figure 2-8: Solution Mining Sequence – Cavern Connection and Three Bed Mining



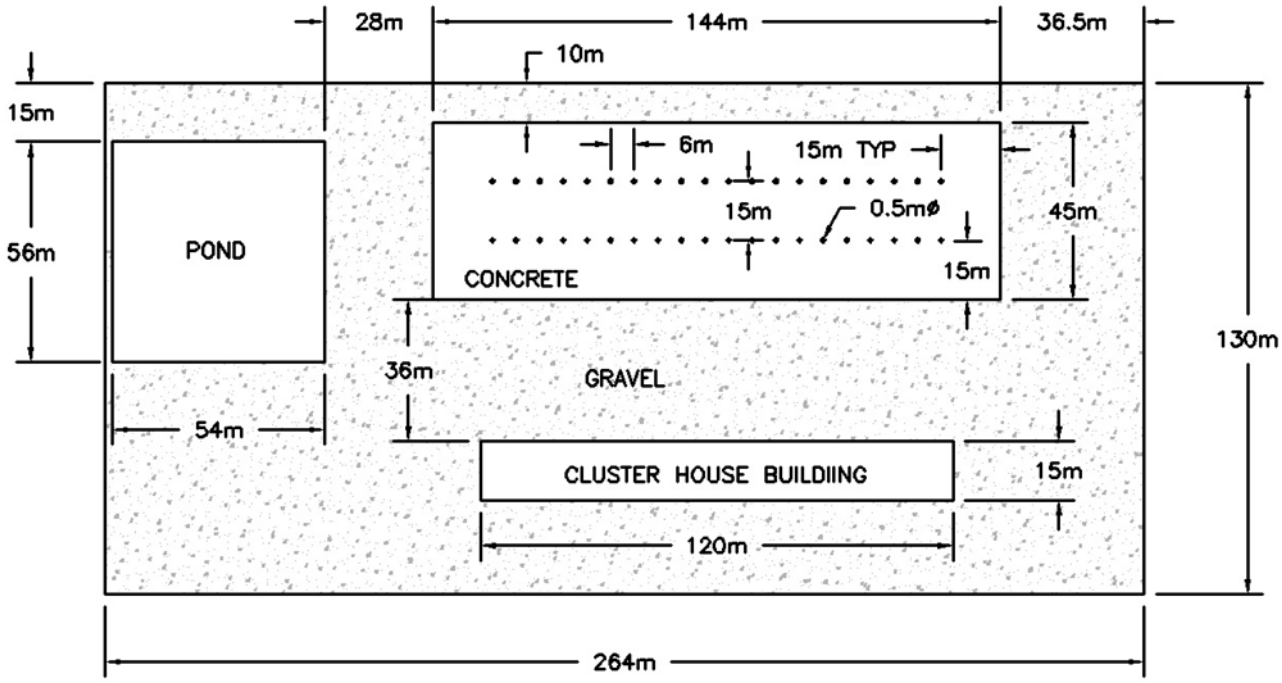
Source: Amec Foster Wheeler 2016.

2.7.6.1 Drill Pads

The well pads have been designed to accommodate the drilling of up to 40 wells using a walking rig. Figure 2-9 shows the dimensions of the well pad with 40 directional wells. The well collars are 6 m apart along two rows located 15 m apart. For a complete 20 cavern pad the pad services a mining area of 1.24 km by 1.15 km. In the LOM plan there are an average of 15.6 caverns per pad.

In the FS drilling contractors considered the spacing acceptable but technical review comments recommend more widely spaced hole collars and a wider spacing between the two rows of well heads. SLR recommends review of the pad layout in the next stage of engineering.

Figure 2-9: Typical Well Pad Layout

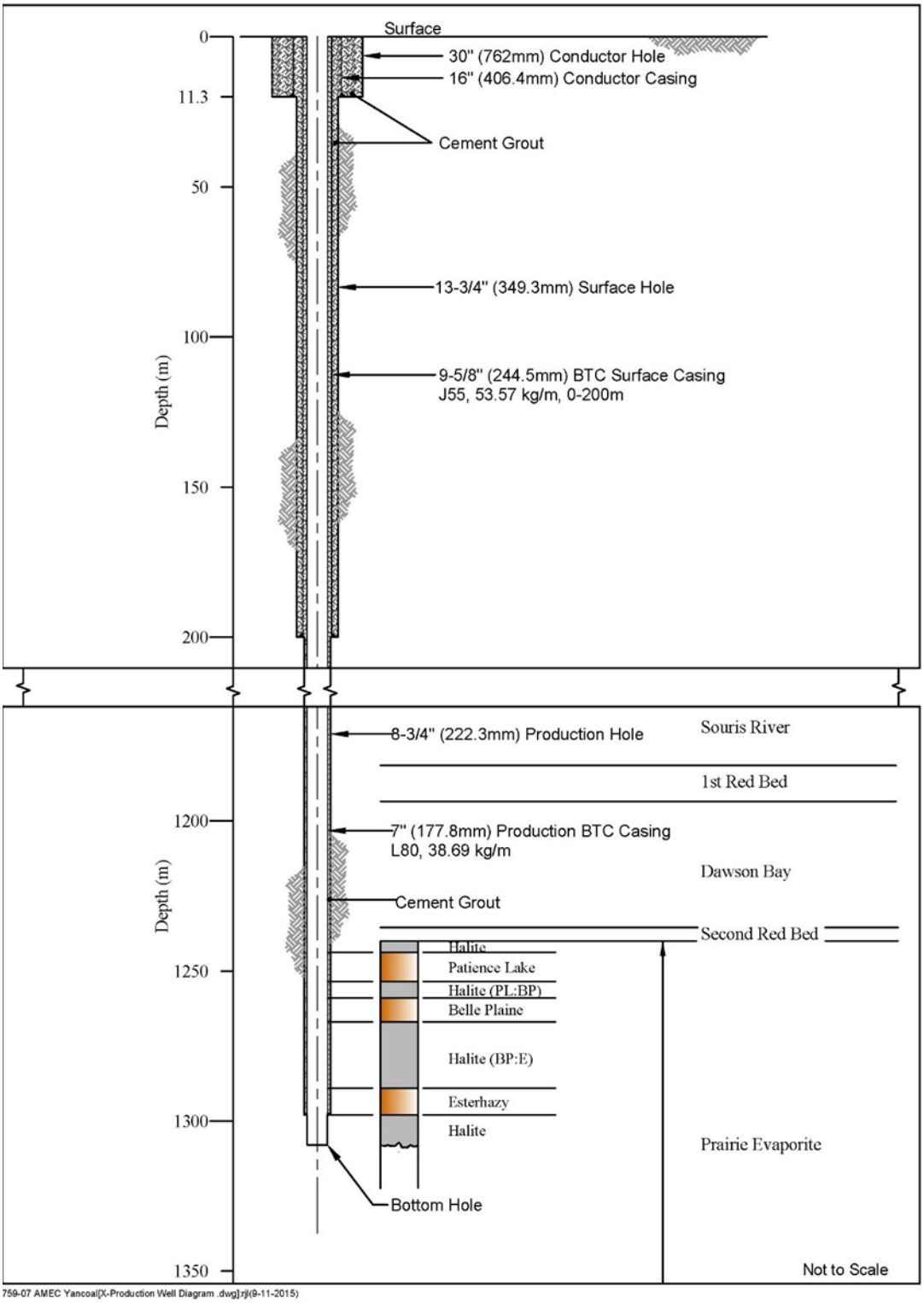


Source: Amec Foster Wheeler 2016.

2.7.6.2 Well Completion

The well completion design shown in Figure 3-x has a 177.8 mm (7 inch) outside diameter intermediate casing set at the base of the Esterhazy Member or to the lowest mining horizon. The well will be drilled out approximately 10 m or more to form a sump. A 73 mm (2⅞ inch) diameter tubular is installed in each well with a cup packer assembly at the bottom to direct flow through a 114.3 mm (4.5 inch) diameter bottom assembly. The 73 mm (2⅞ inch) tubular can be used during sump development and connection for injection, and later during roof development and production as a dilution string with injection or production from the annulus. Figure 2-10 illustrates the sequence of operations and positioning of the cup packers in the stages of cavern development. The annulus between the 177.8 mm (7 inch) casing and the 73 mm (2⅞ inch) tubular will allow flow rates of up to 100 m^3/hr with manageable pressure losses. The injection and production flow rates are in the range of 45-55 m^3/hr.

Figure 2-10: Well Completion



Source: Amec Foster Wheeler 2016.

2.7.6.3 Cavern Development

Each individual well has a sump developed into the salt beneath the water injection point required to accommodate insoluble minerals, NaCl which may precipitate from solution or remain undissolved in the cavern, and closure from creep deformation of the halite above and below the cavern.

The sump is developed by injecting fresh water at a rate of approximately 8-12 m^3/hr. The size of the sump is determined by calculating the volume of salt removed from each well and the position of the tubing in relationship to the bottom of the potash member. It is estimated that sump development will require about 90 days.

After sump development the fresh-water injection fluid is injected at a rate of approximately 20-25 m^3/hr. The goal of this phase is to grow the caverns so that the two individual well caverns connect. It is estimated that the caverns will connect approximately 150 days after initiating the connection phase.

Upon the successful connection of the two individual well caverns, dual-well operation to develop the well pair cavern roof is initiated. Fresh water is injected at a rate of 50 m^3/hr (per cavern) at the top of the merged well caverns and saturated brine is recovered on the other well. Each well may be operated as either an injection well or as a production well.

Roof area development is concentrated around the injection well and the operating mode of the wells is managed during roof development to distribute roof area development and to minimize roof development time. The roof is developed until about 70% of the designed cavern roof area for primary mining is established. It is estimated that this phase will require 125 days for completion.

For the first 90 days, the roof development is accomplished with ambient fresh water. The last nine months of cavern and roof development is accomplished with fresh water heated to 93°C to heat the solution mining cavern before primary KCl solution mining is initiated.

Complete cavern development is estimated to require 12 months after which primary mining can commence in a cavern.

2.7.6.4 Primary Mining

The first 1 m to 1.5 m horizontal slice of primary mining within the potash member is initiated by removing the tubing from each well, perforating the casing at the mining slice in each well, and equipping one well as the production well and the other as the injection well. Near-saturated brine, containing 155 g/L of KCl and 250 g/L of NaCl, on average, is produced from the production well. The injection rate is expected to average approximately 49.7 m^3/hr over the life of the primary mining phase and each primary cavern will produce about 58,000 tonnes of KCl per year.

The well pair will operate in the mode described above until the cavern roof area reaches about 60% of the designed cavern roof area of about 18,000 m^2. At this stage, the mode of the wells is reversed, with or without initiating a new mining slice, to maintain uniform cavern shape and to achieve the designed primary production tonnage per mining slice.

Primary mining progresses as a series of 1.0 m to 1.5 m horizontal slices until the cavern roof is extended to about the top of the lower mining horizon (Esterhazy or Belle Plaine potash zone). Upon reaching the top of the lower mining zone, a specialized pressurization technique is utilized to allow the solution mining to progress directly from the top of the lower potash zone

directly to the bottom of the upper potash zone where the primary mining is continued in 1-1.5 m horizontal slices through the upper potash zones.

The FS assumed that primary mining will produce 71.4% and secondary mining will produce 28.6% of the total KCl tonnes. If desired, it is possible to increase the percentage of secondary mining by switching to secondary mining earlier in the cavern life and utilize secondary mining for both the cavern roof and walls. Using the 71.4% ratio, the primary mining life of an individual cavern is estimated at 2.64 years. The typical mining parameters for primary and secondary mining are summarized in Table 2-8.

Table 2-8: Typical Mining Parameters

Parameter	Unit	Primary	Secondary
NaCl production brine concentration - development	g/L	313	250
KCl production brine concentration	g/L	155	155
NaCl production brine concentration	g/L	250	250
Average mining height	m	14.66	14.66
Mining percentage	%	71.40	28.60
KCl grade	%	32.32	32.32
Insoluble content	%	5.58	5.58
Mining height	m	10.47	4.19
Required KCl per year	t	2,190,839	799,077
Vertical growth rate	cm/d	1.19	0.30
Productive life	years	2.64	4.22
KCl production per year	t	58,247	19,364
Caverns in operation	N	38	42
Wells replaced	N	30	
Salt produced per year	t	3,569,947	-
Production brine flow rate	m^3/hr	1,767	2,340
Injection flow rate	m^3/hr	1,887	2,342
Injection flow per cavern	m^3/hr/cavern	49.7	55.8

2.7.6.5 Secondary Mining

For secondary mining the injection fluid will be changed to saturated NaCl brine containing approximately 110 g/L of KCl and 250 g/L of NaCl. The injection temperature will be maintained at about 72°C. The secondary mining can be operated as a continuous or an intermittent batch operation. Over the life of the secondary mining phase, the injection rate is estimated to average 55.8 m^3/hr. In secondary mining, both the KCl on the roof of the cavern and the walls of the uppermost potash member can be mined. The NaCl in the ore zone remains in the

cavern and essentially in place in the roof and walls of the cavern. With 28.6% secondary mining, the well life during that phase is estimated at 4.22 years.

In the later stages of secondary mining, the solution mining cavern may develop communication with the permeable formation above the cavern roof or, possibly, with an adjacent cavern. This communication could limit the ability of the cavern to maintain sufficient pressure to lift the production brine to the surface. In this instance, an electric submersible pump will need to be installed in the production well to assist lifting the production brine to the surface.

Up to half the caverns used in secondary mining (21 caverns per year) may require a pressure assist from a downhole 150 hp pump. This operation also serves to reduce the brine pressure in the cavern (an advantage if leakage of an over pressurized cavern is a potential problem). The pumps will be installed and recovered using the workover rig.

2.7.6.6 Well Reclamation

Upon completion of secondary mining, the liner and dilution tubing can be removed from the wells, and cement plugs can be established within the intermediate casings above the solution mining cavern. The holes are cemented, capped and the surface area is reclaimed.

2.7.6.7 Brine Concentration

The KCl concentration in brine from the production wells of both primary and secondary mining caverns is estimated to be approximately 155 g/L. During operations, the brine grade will vary because of local variation of in situ grade, injection flow rate, and injection temperature.

2.7.6.8 Injection Temperature

Injection temperatures were estimated using Agapito's thermodynamics model based on the 65°C brine temperature required for solution mining caverns, injection flow rates, cavern geometry and cavern life, as well as physical and thermal properties of solvent, brine and surrounding rock.

2.7.6.9 Water Consumption

During development of the first group of caverns, the flow of injection water is estimated to be up to 1,385 m^3/hr assuming that sumps for all 38 caverns are developed in 14 months. Peak water usage is 1,900 m^3/hr when all 38 caverns are in roof development. During steady-state mining, an average of 15 caverns need to be developed each year, and water usage during cavern development is estimated to be 606 m^3/hr on average with a peak water usage of 750 m^3/hr are required for developing these caverns. Under steady state operations the water consumption is forecast to be 1,023 m^3/hr as outlined in Table 2-9.

Table 2-9: Water Consumption During Steady State Mining Operations

Area	Caverns (number)	Water Consumption (m^3/hr)
Development for Replacement Caverns	15	606
Primary Mining	38	366
Secondary Mining	42	51
Total		1,023

2.7.6.10 Injection Pressure

To ensure the flow rate in each mining stage, injection pressure is required to overcome head loss due to solvent and brine density differences, the frictional head loss in wells, the head drop in cavern and the required discharge pressure. The estimated injection pressures during the different mining stages are:

- Sump development 3.4 MPa
- Cavern Development 4.2 MPa
- Primary Mining 4.2 MPa
- Secondary Mining 1.8 MPa

2.7.6.11 Salt Production

Both cavern development and primary mining will produce NaCl. The NaCl brine from cavern development will be discharged into the brine disposal wells. Most of the NaCl mined out from primary mining will be pumped to the Tailings Management Area (TMA), a small amount of NaCl left will be added to the solvent for secondary mining caverns to maintain NaCl saturation in the injection solvent. In the steady-state mining stage, the NaCl disposed to the TMA is estimated to be approximately 3.5 Mtpa.

2.7.6.12 Brine Disposal Wells

During sump development, the NaCl-saturated brine that is produced will be disposed of by injection into the Deadwood Formation (about 90 m in thickness and 1,720 m bgs). Four brine disposal wells on the same pad are proposed. One well will be vertical and other holes will be directionally drilled. Additional disposals wells will be drilled and completed as necessary.

During early cavern development, the flow rate of brine is estimated to be up to 1,862 m^3/hr (1,354 m^3/hr on average) if all sumps are developed in 14 months. It is estimated that 15 caverns per year are needed to replace depleted caverns, which will require the disposal of an average of 576 m^3/hr NaCl brine over the year.

2.7.7 Mine Development Schedule

2.7.7.1 Pad Layout and Design

The well pads have been designed to accommodate the drilling of up to 40 wells using a walking rig and 6 m collar spacing. Drill rig matting will be used to support the drill rig during the drilling of production wells to reduce the load-bearing requirements on the well pad and to allow the drilling to be initiated before the production pad is completed.

2.7.7.2 Well Drilling

To increase drill rig productivity and lower well costs, the conductor casing will be set using a rathole drill rig. The rathole rig will drill a 762 mm (30 inch) hole to a depth of 10 m and then a 406.4 mm (16 inch) conductor casing will be installed and cemented to establish a relatively straight surface borehole that deviates less than 0.75° from vertical. Assuming 40 wells on a typical drill pad, the batch drilling step will require 30-60 operational rig days.

A 222.2 mm (8¾ inch) production casing directional borehole will be drilled along a designed wellbore trajectory. The drilling will require 5-8 days.

Gyroscopic surveys and enhanced statistical modeling of wellbore location surveys are planned to define the borehole location to an acceptable level. The drilling plan includes two open hole geophysical surveys, a depth verification survey, and a cement bond log for each well. The open hole geophysical logs include natural gamma ray, spectral gamma, neutron density, sonic, temperature, caliper, and density.

As the surface and production casings are installed in the surface and directional wellbore, a sufficient amount of cement will be circulated down the casing so that it can be displaced with a wiper plug and fluid to flow around the outside of the casing from the total depth of the borehole to the surface. The cement can be drilled out using the drill rig at the completion of the pad before the rig is moved to the next pad or can be done by a workover rig as the well is being completed.

Once the production casing has been set and cemented, the well will be left with a well head and can be left in this stage for extended periods of time

As construction is initiated on the valve station adjacent to the wells, the elevation of the casing can be finalized and the wellhead can be installed. This allows buried lines from the valve station to the wellhead to be installed before the concrete pad and spill control trench are constructed.

Since the drilling uses only a gravel pad and rig matting, the well locations can be placed in a manner that facilitates the maintenance of the buried piping.

2.7.8 Mine Layout

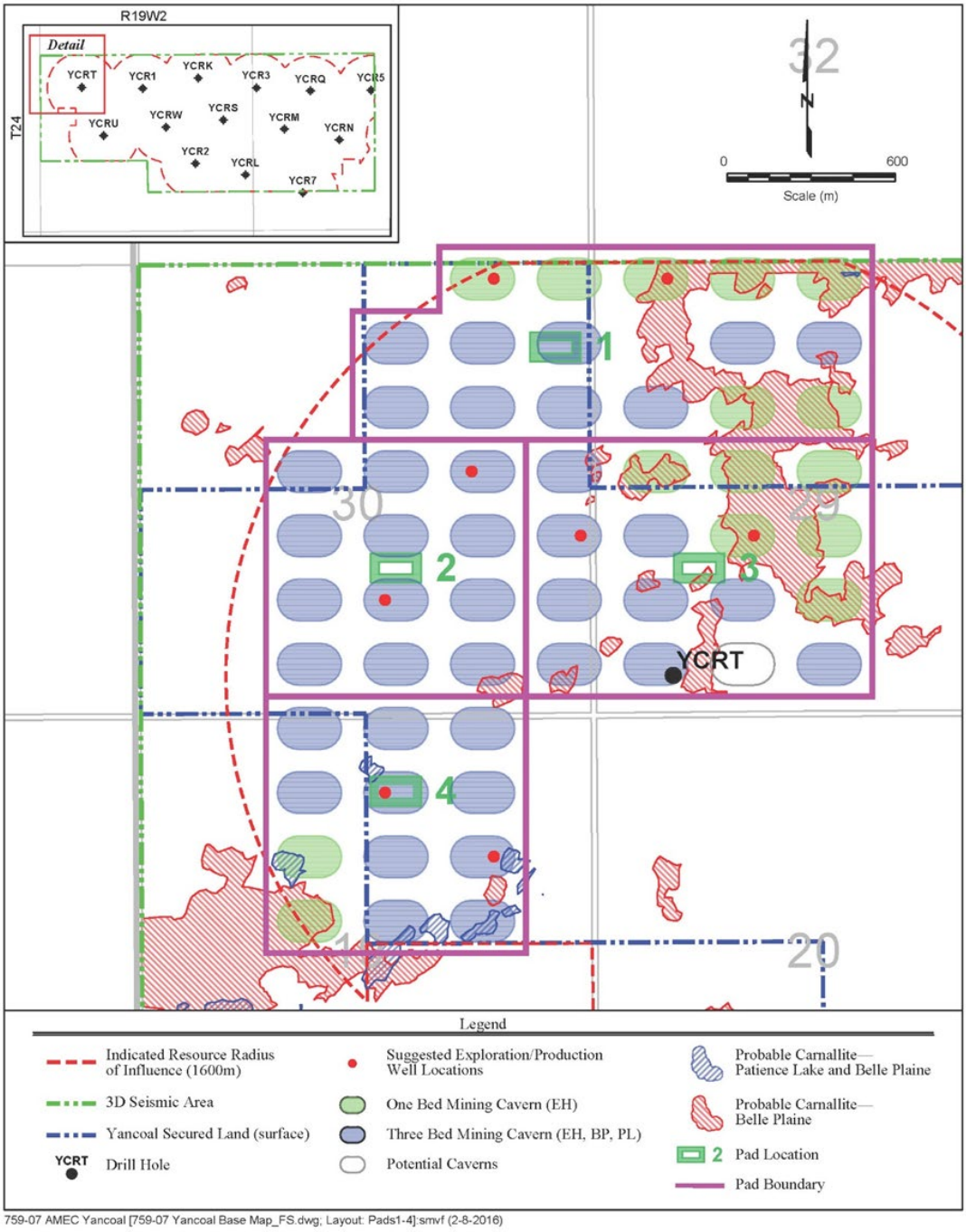
There are 831 caverns within the life of mine wellfield. The extraction plan was prepared using Solution Mining Cavern Design (SMCD), a proprietary program written by Agapito to assist with solution mining cavern design. The cavern database stores cavern information such as cavern locations, mining horizons, mining heights, mineral grades, and recoverable KCl tonnages.

In the FS the mining started from the northwest section of the mine boundary, (nearest to the plant location, then migrated to the middle section, and finally to the southeast end. Wells within the controlling boundary of a drill pad will be drilled consecutively, while the caverns in each pad can be developed and mined either at the same time or at different times to suit production requirements. The FS assumed that the initial three pads will be drilled simultaneously by two drill rigs so that the production ramp-up stage is as brief as possible.

Figure 2-11 shows the proposed early stage cavern layout. Figure 2-12 shows the LOM cavern layouts for mining of the Esterhazy, Belle Plaine, and Patience Lake Members. Each zone has been identified for one-bed mining, two-bed mining, or three-bed mining. There are 259 caverns for three-bed mining, 486 caverns for two-bed mining, and 86 caverns for one-bed mining.

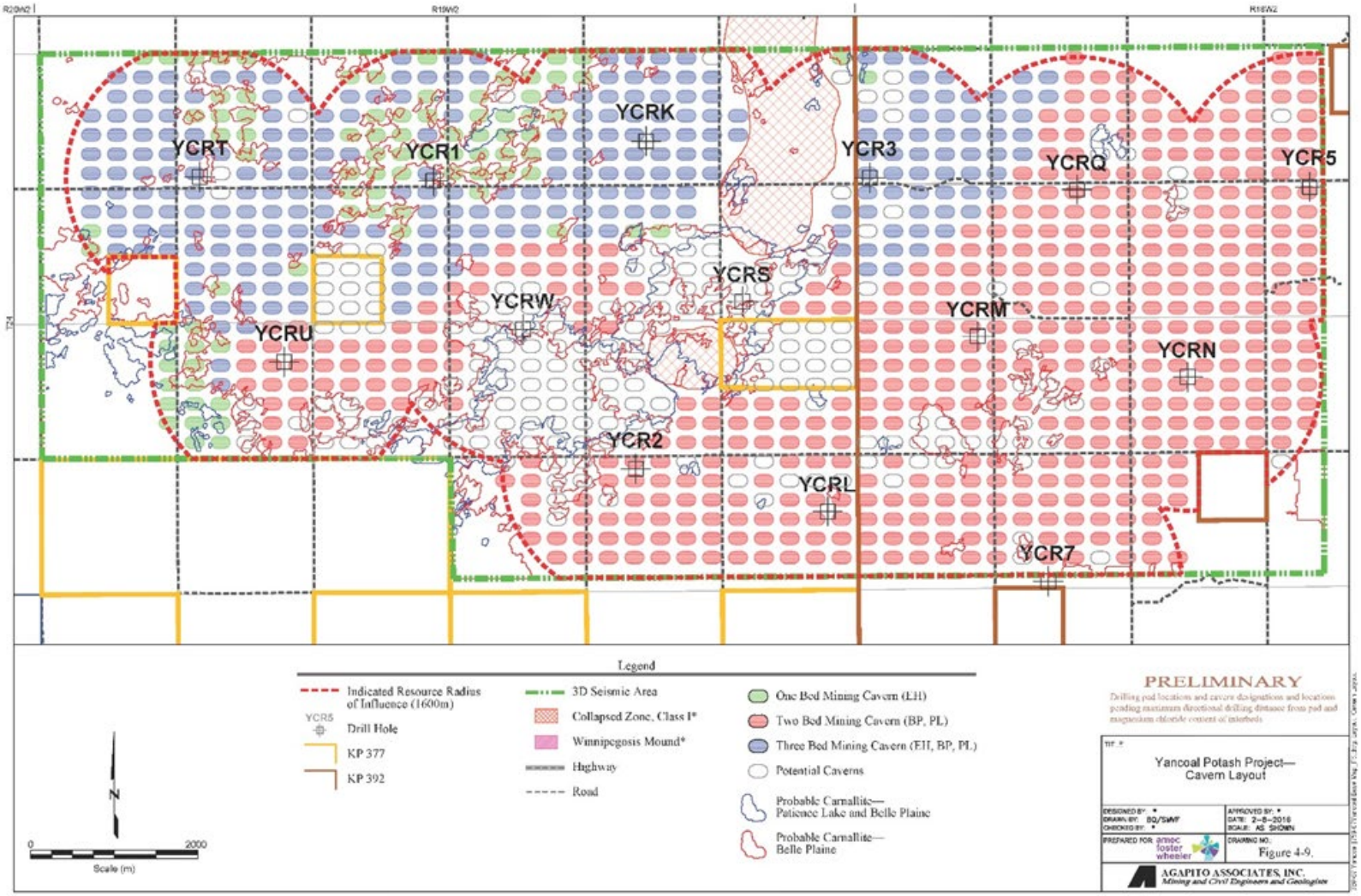
In a supplement to the FS an alternative early production plan was proposed to reduce the number of pads required and to increase the amount of potash developed on those pads. SLR notes that any search for a “better” start pattern should be considered as a whole over a longer time period. SLR recommends that at the next stage of study the overall cavern layout should be reviewed and revised to generate the optimum cavern layout and production schedule for the Southey Project.

Figure 2-11: FS Suggested Early Stage Mining Layout Proposal



Source: Amec Foster Wheeler 2016.

Figure 2-12: Life of Mine Cavern Layout

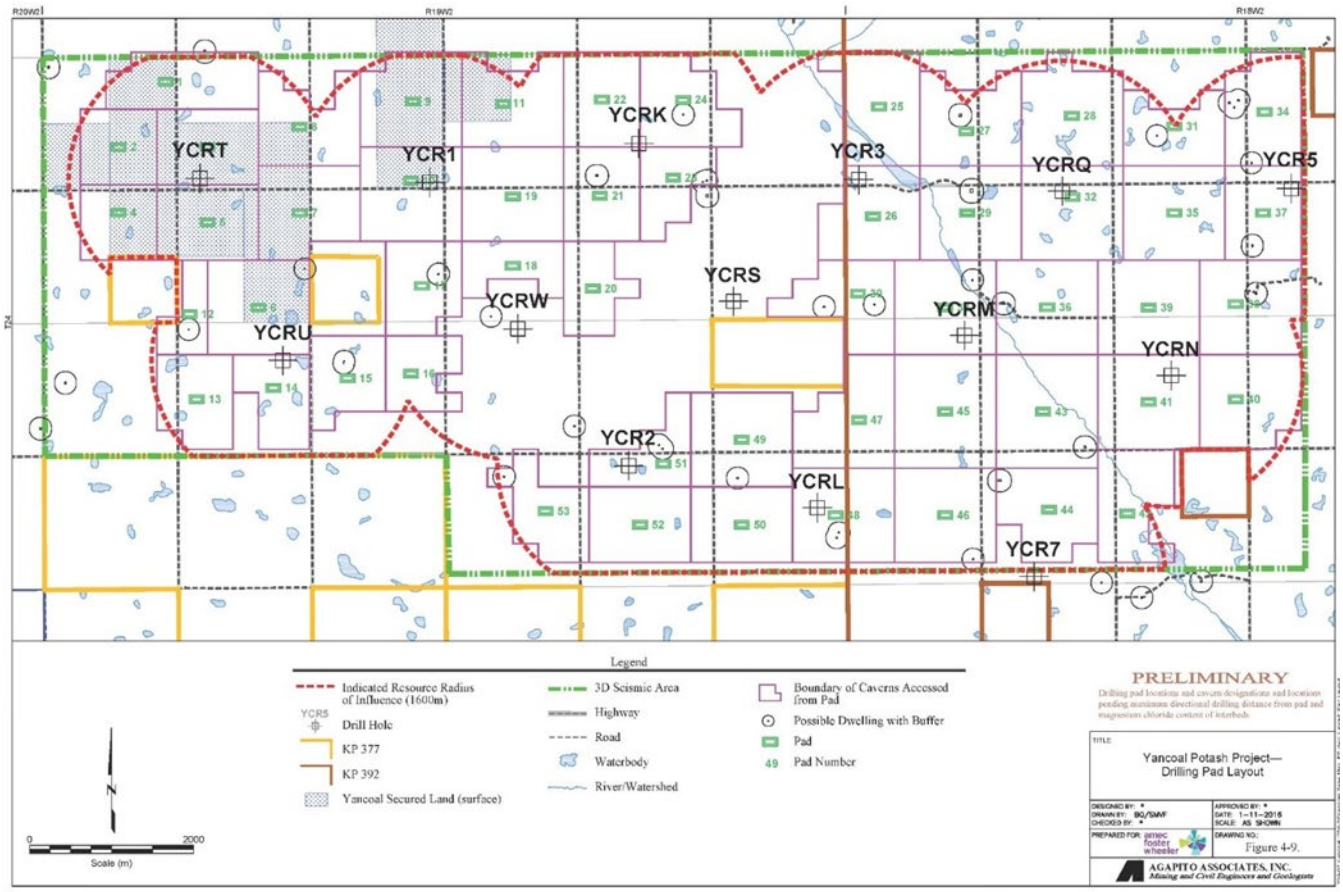


Source: Amec Foster Wheeler 2016.

2.7.8.1 Pad Locations

Figure 2-13 shows the pad layout and all the surface features such as water bodies, roads, etc., that influenced well pad locations. The LOM includes 54 drill pads and there are an average of 15.6 caverns per drill pad.

Figure 2-13: Life of Mine Drill Pad Layout



Source: Amec Foster Wheeler 2016.

2.7.9 Subsidence

Surface subsidence associated with solution mining at the project is expected to be gradual and non-disruptive. Sinkholes and/or other forms of disruptive subsidence are not expected because of the depth of mining, the limited vertical extent of mining, and the nature of the overlying strata. Due to the creep of the salt rock around the solution mining caverns, surface subsidence will increase gradually as the area of mining expands.

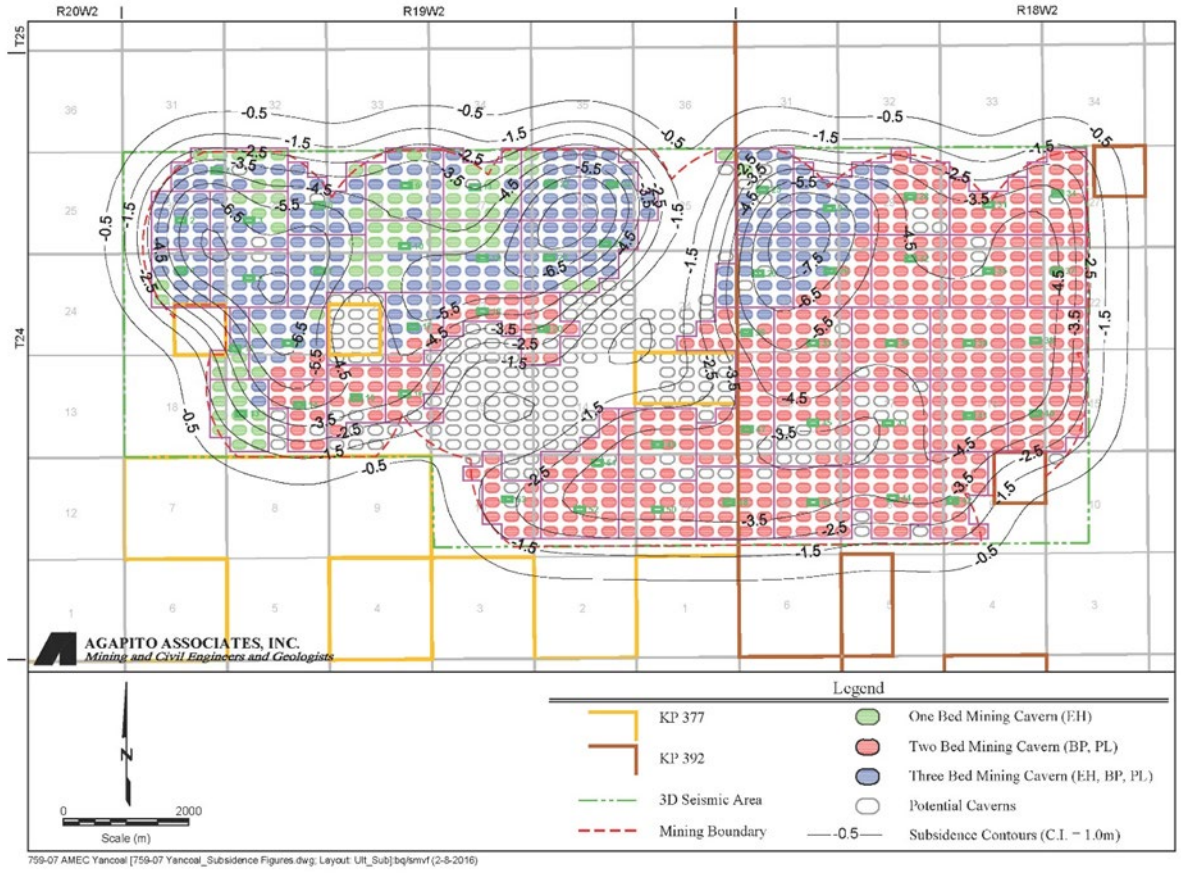
2.7.9.1 Ultimate Subsidence

The basic assumption in the prediction for ultimate subsidence (surface subsidence caused by solution mining after all caverns are mined and closed) is that a cavern would eventually close after solution mining is complete. The maximum cavern closure is assumed to be the effective mining height in a cavern. The maximum closure within the Prairie Evaporite after the potash

beds are mined was estimated as the sum of the bed thicknesses minus the thickness of undissolved halite and insolubles within the beds.

The ultimate subsidence contour is presented in Figure 2-14. The maximum predicted ultimate subsidence for the preliminary mine plan is approximately 8.2 m. The evaluation indicates that ultimate subsidence will occur after 70 years of solution mining. Subsidence can cause water ponding on the highways at some locations adjacent to existing ponds and streams during the rainy season. Highway leveling, resurfacing and construction of water drainage facilities may be needed at these locations.

Figure 2-14: Predicted Ultimate Surface Subsidence Contours



Source: Amec Foster Wheeler 2016.

The results indicate that the ultimate strains and slopes at the perimeters of the mine plan will cause some cosmetic and functional damage to buildings and paved roads.

The following subsidence mitigation measure are proposed:

- Highways and roads can be regraded or resurfaced if cracks appear.
- Yancoal intends to purchase surface properties before mining
- Tension cables and ropes, trenching, crib support and separating, can be employed to protect high-value structures.

- Expansion joints can be designed for pipelines to accommodate tensile and compressive strains induced by settlement. Also, pipelines can be excavated during active subsidence and re-buried to protect against problematic deformation.

2.7.10 Mine Equipment

The key production equipment requirements are:

- Production drilling equipment
  - hook capacity greater than 160,000 daN (362,241 lbs)
  - two pumps, with a minimum of 750 hp each with minimum flow rate of 1.7 m3/min
  - a system (table top or other) for moving (walking) from one drill hole to the next on a well pad while rigged up with pipe in the derrick
- workover rig specifications:
  - hook capacity greater than 66,723 daN (150,000 lbs)
  - drill pipe and heavyweight drill pipe as required

The production drills and work over rigs can be obtained under contract or purchased. Initial construction will require 2 production rigs. After startup it is estimated that one to two production rigs and one work over rig will be required.

The availability of drill rigs will be a function of the state of the drilling industry. At the time of the FS the oil drilling business was in a lull.

2.7.11 Mine Personnel

The estimated mine personnel requirements vary over the phases of development and production and are summarized in Table 2-10.

Table 2-10: Mine Personnel

Position	Cavern Development	Primary Operations	Primary & Secondary Operations
Development Manager	1	1	1
Development Foreman	1	1	1
Development Engineer	4	4	4
Control Room Operator	4		
Plant Operator	4		
Development Operators	12	12	12
Cavern operators	8	8	16
Maintenance	4	4	4
Electrical & Instrumentation	2	2	2
Total	40	32	40

2.7.12 Mine Infrastructure

Each drill pad includes a cluster house, blanket fluid storage and pumphouse, containment pond, concrete well pad, and a perimeter chain link fence. The cluster house is a single story pre-engineered building that contains all required valves and piping to switch the well configuration between cavern development, primary mining, and secondary mining.

Two 25 kV buried feeders originating from the main plant site provide power to the wellfield and then transition to 25 kV overhead power lines at the southern extent of the plant site boundary. The overhead power lines are less expensive and are easier to expand and tap-off as cluster houses are added during the life of the mine.

The wellfield piping is connected to the plant site via a buried pipe corridor. This pipe corridor contains six lines which deliver and return water and brine to the wellfield. The pipelines include 20", 24" and 30" steel and HDPE pipelines. All lines except for the wellfield development injection and early brine return lines are insulated. The overall system consists of approximately 6,000 m of main pipeline corridors that run between the processing plant and the wellfield. The laterals or branch lines connecting the cluster sites to the main corridor are estimated at 2,100 m for a combined total of 8,100 m of pipeline corridor.

The pipelines will be installed below ground with a nominal depth of cover of 2.4 m. Access for servicing, maintaining, and monitoring the pipelines will utilize provincial grid roads. Sectionalizing block valves will be installed at specific intervals for isolation, maintenance, and control and drain valves will be installed at low points along the pipeline to enable sections to be isolated and drained.

Leak detection for the feasibility phase is achieved by flow monitoring to detect unbalanced flow conditions.

2.7.13 Mine Production Rates

Mining rate targets for primary and secondary mining from the plant are 2.0 Mtpa and 0.8 Mtpa of MOP K62, respectively. The required production of pure KCl in the wellfield will be 2.2 Mtpa from primary mining and 0.8 Mtpa from secondary mining, assuming plant recovery ratios of 90.5% for primary brine and 99.3% for secondary brine.

Production rate in a cavern depends on the KCl grade in a mining horizon, dissolution rates of NaCl and KCl, the dissolution area of a cavern, and injection flow rates. To achieve the wellfield production rate of 3 Mtpa KCl, with a target brine grade of 155 g/L KCl during both primary and secondary mining, wellfield production rates of 1,767 m^3/hr brine from primary caverns and 2,340 m^3/hr brine from secondary caverns are needed.

The production rate from primary mining per cavern was estimated to be approximately 58,000 tpa, assuming an average injection flow rate of 49.7 m^3/hr/cavern and an average KCl concentration of 155 g/L in production brine.

The production rate in secondary mining is much slower than the production rate in primary mining because only KCl will be dissolved from the crystal structure of sylvinite. Eventually, as mining progresses, a large number of secondary caverns are available so that production from a cavern can either be continuous or intermittent. The production rate in a secondary cavern was estimated to be approximately 19,400 tpa.

The life of a cavern includes the time of cavern development, primary mining, and secondary mining. For a typical cavern with an average total potash bed thickness of 14.7 m and an average KCl grade of 32.3%, the development time is approximately one year and the primary

mining and secondary mining times are estimated to be 2.6 years and 4.2 years, respectively, for a total of 7.9 years.

2.7.14 Life of Mine Plan

The LOM production schedule was developed to plan drilling, development, primary mining, and secondary mining stages for each cavern in the current mine plan so that MOP (K62) product delivered from plant could be maintained at the target rate of 2.8 Mtpa during steady-state mining operations for a total of 163.5 M t MOP over the LOM defined in the FS.

The first three pads comprising 43 caverns will be drilled and developed in year 0 and year 1. Primary mining will reach a production rate of 2.0 Mtpa MOP by year 2, and that production rate will be maintained over the LOM. Secondary mining starts in year 3, and will reach 0.8 Mtpa MOP by the end of year 8.

Over the LOM, a total of 831 caverns will be drilled, developed, and mined and 587 caverns will be completely mined out. Additional exploration outside of the current 3D seismic area is expected to add additional resources and reserves which may extend the mine life.

The average $MgCl_2$ concentrations over the LOM will be below the 3 g/L limit. KCl concentrations rise to around 173 g/L after primary mining start-up in the caverns of the first three pads. The KCl concentration will decrease when new caverns are added as low grade brine is produced during the initial stage of the primary mining of the new caverns.

2.7.15 SLR Comments

SLR is of the opinion that the mine designs and plans are appropriate for the deposit. SLR recommends that in the next stage of engineering the following items be considered:

- Drill pad designs should be addressed considering:
  - the working space required over the pad life and the potential to revise the well layout as proposed by Advisian
  - the practicality of the drill hole spacing, and
  - pad design (concrete or gravel).
- Review of the LOM plan to reconcile production and Ore Reserve tonnages.
- Use of the larger pattern to attain higher extraction.
- Review of the LOM optimization considering reductions of the early stage development requirements.

2.8 Mineral Processing and Metallurgical Testing

2.8.1 Metallurgical Testing

2.8.1.1 Summary

Metallurgical test work was completed using samples from the Southey Project in 2014. The testing was conducted by DEEP underground Engineering GmbH (DEEP) in Bad Zwischenahn, Germany. The test work carried out included laboratory leach tests and leach simulator tests, the tests were done in an elevated temperature of 65ºC.

All the data obtained from testing was then analyzed in METSIM, a process simulation software, to generate a mass balance and recovery estimation that accounts for every stream in the process.

2.8.1.2 Test Work Samples

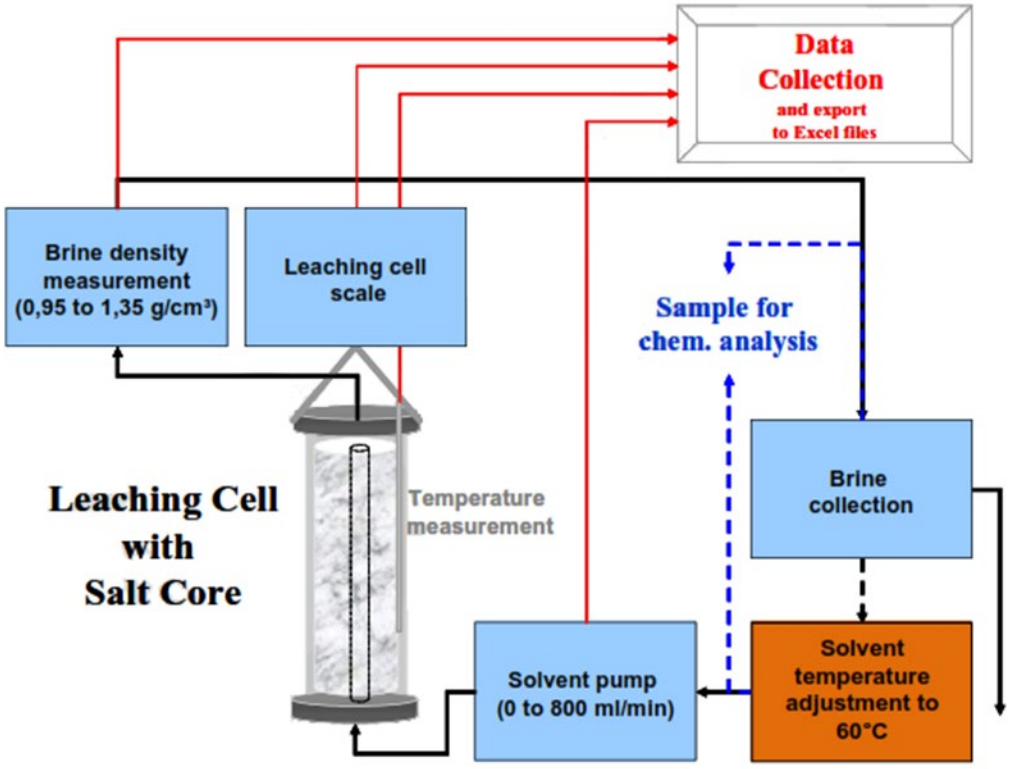
The samples for the leach testing were sourced from two exploration wells. The samples were selected from the drill cores to represent Patience Lake, Belle Plaine and Esterhazy zones of the deposit. In addition, samples were also collected from interbeds to represent the area between these zones. The samples were selected to provide a number of samples at approximately 30% KCl as well as to cover a range of KCl contents in the ore.

2.8.1.3 Test Work

The leaching tests were conducted at 65ºC temperature in the leaching simulator. The samples were dissolved in the leaching cell primarily at its vertical surfaces in a rising flow of water or brine. The residues of the leaching will sink to the bottom of the cell while the brine flows out through the top of the cell. Samples were taken during the leaching test at periodic intervals of 30,60 and 150 minutes for analysis in the laboratory. A schematic diagram of the leaching simulator is shown in Figure 2-15.

It was reported that the dissolution rates observed for all samples are comparable to each other and within the theoretical dissolution limits for halite and sylvite at the leach temperature. However, SLR is not aware of the actual leach dissolution recovery values and unable to comment about them.

Figure 2-15: Schematic Diagram of the Leaching Simulator



Source: Amec Foster Wheeler 2016.

It was reported that the variability between the three ore zones are almost identical in terms of dissolution behaviour and dissolution rates.

It is understood that high $MgCl_2$ content of up to 24.2g/l have been noticed in the samples from Esterhazy Member zone. The higher $MgCl_2$ content was observed in 5.1% of the samples, this could be interpreted as the carnallite content of this zone is expected to be approximately 15%. However, the MgCl2 content of the Belle Plaine and Patience Lake were understood to be in the range of 0.3 g/l and 1.1 g/l.

The testwork results indicated that the average $CaSO_4$ content of the brine was 2.9g/l. It was also reported that $CaCl_2$ was not detected in the brine. However, SLR understands that very low $CaCl_2$ content was observed in some of the historical test work.

2.8.1.4 SLR Observations

- The metallurgical test work sample selection appears to have been completed in a logical manner. Samples included three zones (Patience Lake, Belle Plaine, and Esterhazy members) and sourced to provide a variety of KCl head grades.
- SLR is unable to comment about the representativity of the samples without reviewing the sample locations with reference to the mine plan.
- The dissolution rates used in the process design criteria are comparable to other similar sylvanite processing operations. These values are also within the theoretical limits for halite and sylvinite dissolution at the proposed temperature of 65ºC. It is understood that the dissolution rates were determined by METSIM modelling based on the test work results. However, SLR has neither reviewed the model nor seen the test work dissolution results and unable to comment about the validity of the model.
- There are no reports of any variability test work completed. Variability test work is essential in order to understand the local differences within the same ore type and across the ore types, that may contribute to higher operating costs and different metallurgical recoveries. The variability test work will provide a good indication of overall metallurgical recovery. The metallurgical recovery of a project at an FS level is expected to be estimated based on variability test work results.

2.8.2 Process Design

2.8.2.1 Process Design Criteria

A high-level summary of the process design criteria is shown in Table 2-11.

Table 2-11: Process Design Criteria

Criteria	Unit	Quantity
Annual Saleable Potash	tpa	2,800,000
Contained KCl	tpa	2,747,836
Product Grade from Crystallizers	% K_2O	62
Plant Recovery	%	93
Primary to Secondary Mining Ratio	-	70/30
Primary Mining Production	tpa	2,000,000

Criteria	Unit	Quantity
Secondary Mining Production	tpa	800,000
Granular to Standard Ratio	-	40/60
Granular Product Production	tpa	1,120,000
Standard Product Production	tpa	1,680,000
Plant Operation Hours	hr/y	8,000

2.8.2.2 Product Specifications

The final product specifications for the standard and granular products are summarized in Table 2-12.

Table 2-12: Product Specifications

Product	Property	Quantity
Standard Product	**KCl Content**	**Wt. %**
	Target	98.1
	Minimum	95.1
	Particle Size	**% Retained**
	> 10 Tyler (1700 µm)	0-15
	> 14 Tyler (1180 µm)	15-45
	> 20 Tyler (841 µm)	40-70
	> 28 Tyler (595 µm)	65-85
	> 35 Tyler (420µm)	85-98
	> 48 Tyler (300µm)	90-99
	> 65 Tyler (210µm)	96-100
Granular Product	**KCl Content**	**Wt. %**
	Target	98.1
	Minimum	95.1
	Particle Size	**% Retailed**
	> 5 Tyler (4000µm)	0-5
	> 6 Tyler (3360µm)	20-40
	> 7 Tyler (2830µm)	40-70
	> 8 Tyler (2830µm)	65-85
	> 9 Tyler (2000µm)	85-98
	> 10 Tyler (1680µm)	95-100

2.8.2.3 Process Description

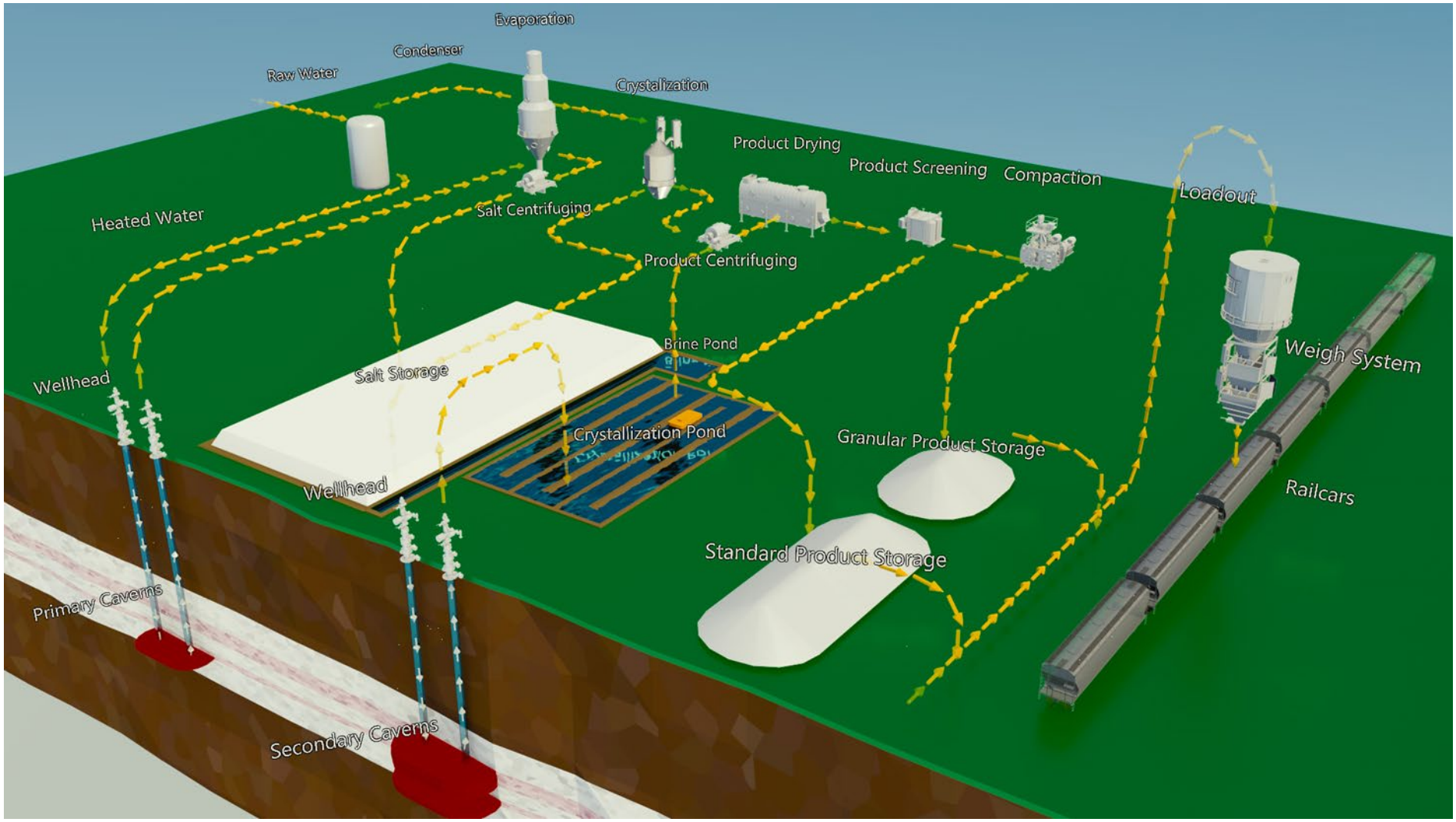
The potash processing plant is designed with a nameplate capacity of 2.8 Mtpa of potash production. The plant is designed to process the solution mined from primary and secondary mining operations, but the secondary mining will not come active until the first 2.6 years. The production from primary mining will be 2 Mtpa, the production from secondary mining will be 0.8 Mtpa, gradually ramped up over a period of 4.5 years.

The primary mining brine feeds two trains of evaporation units followed by two trains of crystallization units to produce crystalline KCl. The secondary mining brine feeds the crystallization pond where the brine is cooled under atmospheric conditions to produce KCl precipitates. Precipitated KCL, settled at the bottom of the pond will be harvested by dredges.

Solid KCl from the crystallizer trains and the crystallization pond is debrined, dried, and screened to separate out the standard product. The screen oversize, undersize and a proportion of standard product will be fed to a compaction plant to produce the granular product. The standard and granular products are produced at a specific ratio and sent to the relevant product storage area.

NaCl solids from the evaporation are debrined and re-slurried using brine from the brine reclaim pond and pumped to the TMA. A pictorial representation of the combined primary and secondary processing plants are shown in Figure 2-16.

Figure 2-16: Overview of the Primary and Secondary Processing Plants



Source: Amec Foster Wheeler 2016.

2.8.2.4 SLR Comments

- The process flowsheet is logical, consists of standard equipment, and is designed with the objective of maximizing potash recovery. SLR notes that this type of flowsheet is used in a number of solution mines for potash processing.
- The design operating hours of 8000 hrs per year is reasonable for the process plant. This is comparable to many other operating plants around the world.
- The flowsheet included dissolution, evaporation, debrining and classification of NaCl and crystallization to produce KCl crystals. However, the test work was only completed for the dissolution part. The equipment in the other parts of the flowsheet were designed based on the METSIM simulation. While acknowledging the logical sequence used for process design and equipment selection, SLR notes that the lack of test work for the tail end of the process plant may lead to delays during commissioning. In particular, the material handling properties of the crystallized KCl product and NaCl waste material are critical for defining the appropriate methods and equipment for product and waste handling.
- The buffer capacity of 30 minutes between the solution mining and the process plant are only sufficient to continue the production during minor upsets or changes in operation. This means the solution mine and the plant should always work in tandem, and the production should stop during any issues / breakdown in mining. SLR notes that other similar operations have much longer buffer times of up to eight hours.
- The actual size distribution of product reclaimed from certain areas of the KCl cooling ponds is not known. The process design is based on assumptions, which SLR has not seen. In reality the product particle size could be larger due to particle growth and agglomeration. This could potentially require crushing and screening step to ensure a consistent particle size distribution to allow for robust downstream processing.
- The process chemistry indicates that a phase change happens below -3ºC for KCl/NaCl brines and this would result in NaCl precipitation. SLR notes that any such precipitation would potentially results in trapped NaCl within the KCl crystals. This indicates that, the NaCl contamination could potentially reduce the product grade during the winter months.
- The current flowsheet constitutes of thickeners for the clarification of crystallization pond discharge, based on the assumed particle size distribution of crystals. However, thickeners will not be able to handle larger particles and could potentially result in operational challenges.

2.9 Infrastructure

Proposed mine plant site infrastructure consists of:

- A processing plant consisting of a wet processing plant, tank farm and dry process plant.
- Ponds for process water, raw water, brine reclaim, crystallization, sewage and runoff.
- TMA.
- Rail loadout.
- Administrative buildings, maintenance shop and other buildings.
- Port facilities in Vancouver, BC.

- The plant site and the initial mining area are shown in Figure 3-22.

2.9.1 Tailings Management Area

The FS design of the TMA was provided by Golder. The surface water diversion works, the salt storage area, brine reclaim pond, subsurface containment infrastructure, and monitoring instrumentation comprise the TMA design. Surface water diversion works will be constructed on the up gradient sides of the core facilities area to intercept the natural drainage flow and convey runoff around the core facilities area.

The salt storage area refers to the Stage I and Stage II salt tailings stockpile and associated infrastructure, including brine return channels, tailings starter dyke, brine containment dyke, compacted earthen trench, and monitoring instrumentation. Salt tailings generated during solution mining are transported via pipeline as a slurry to the TMA. The solids (primarily NaCl) will settle out in salt storage area. Free brine will drain by gravity to the brine reclaim pond, for recycle to the process or disposal via deep well injection.

The salt tailings pile has been designed with capacity to accept 193 Mt (134 million m^3) of waste salt over the LOM. The design of the salt tailings stockpile is based on side slopes of 3(H):1(V) and a Stage II pile height of 40 m. For the first 20 years of production the Stage I salt storage area has been sized to accommodate an estimated 44 Mt of salt (30 million m^3) stored to a height of 26 m. Pile geometry and footprint can be further optimized at detailed design in consideration of additional site characterization and development of a detailed slope monitoring program. The TMA will be graded to drain free brine to the brine reclaim pond by gravity.

The brine reclaim pond will be constructed in two stages to provide containment of brine over the operating and decommissioning life of the mine. The storage capacity of the brine reclaim pond is designed to accommodate normal and upset operating flows over a range of typical climatic conditions. The deep injection capacity for brine disposal will be sufficient to maintain the brine reclaim pond within the range of normal operating levels and there will be no releases to the environment.

Seepage of brine from the TMA into the subsurface will occur over the operational and decommissioning phases of the project. During the life of the TMA, there is the potential for long-term migration of brine solution vertically from the TMA to aquifers below. The vertical infiltration of groundwater from beneath the salt storage area is predicted to be generally downward through confining clay and glacial till units to coarse-grained deposits, which comprise various aquifers at depth, and then laterally through the aquifer. In addition, shallow lateral flow may be expected locally around the periphery of the TMA where, if present, surficial stratified deposits or fractured and oxidized clay zones may provide preferential seepage.

Flow containment berms and dykes will be constructed around the TMA to contain salt tailings and decanted brine, as well as divert surface water. The brine return channel containment dykes surrounding the Stage I and Stage II salt storage area will be keyed into native materials to a depth necessary to cut off preferential flow paths through oxidized and potentially fractured shallow stratified clay deposits. The dykes are constructed of low permeability clay obtained from excavation of the brine reclaim pond or general site earthworks.

A detailed investigation of the TMA perimeter will be conducted in support of detailed earthworks design to refine portions and depths of the amended soil cutoff walls.

Ongoing stability analysis, monitoring, and instrumentation programs are necessary during long term development of the salt tailings pile. The geotechnical instrumentation includes vibrating wire piezometers, which measure the pore water pressure within the salt pile and in the

foundation soil below the salt pile, and in-place inclinometers, which measure horizontal movements within the foundation soils.

2.9.2 Rail Spur and Yard

All potash production from the Southey Project site is loaded into railcars for transport and shipment to a port in Vancouver, BC. A spur to connect to the CP Rail (CP) or CN Rail (CN) lines will be required as well as a rail yard on site.

Yancoal reviewed the proposals from both rail companies. selected CN as the rail carrier and entered in a MOU with CN. The selected route to the CN mainline located north of the site is 32.4 km in length with an additional 760 m of track for a future wye connection.

The on-site rail yard includes an on-site rail loop, run-around track, and railcar storage tracks. There is a turnaround layout so that either of the national railroad companies is able to connect to a common point at the plant. On-site rail is designed to store five complete unit trains (two empty, two full, and one spare). The on-site track layout allows for all unit trains to remain fully coupled.

A unit train will consist of approximately 170 railcars and three or four locomotives. Shipping 2.8 Mtpa of product requires an average of one train every 2.2 days. Yancoal requires a railcar fleet of 700 to 1,000 railcars. For the FS, it was assumed that the railcars will be leased.

2.9.3 Water Supply

SaskWater has identified that the proposed Buffalo Pound Non-Potable Regional Water Supply System is capable of servicing Yancoal's requested demand with the addition of a customer specific pipeline. Yancoal's proposed ultimate water requirements are as follows:

- annual requirement – 15,000,000 m^3
- peak flow – 1,884 m^3/hr

Construction of the regional system will commence after a commitment is made to SaskWater by one of the potential users of the regional system. SaskWater proposes to construct a 30 inch diameter pipeline approximately 96 km long with a booster pump station.

2.9.4 Natural Gas

Natural gas requirements for the site is 57.6 TJ/d (65,000 m^3/hr) at a delivery pressure range of 620 kPa to 862 kPa. An additional 4.7 TJ/d (5,200 m^3/hr) – 16.7 TJ/d (18,500 m^3/hr) at a delivery pressure range of 2,205 kPa – 3,450 kPa is required to allow for future 15 MW – 65 MW of cogeneration.

The natural gas supply to site requires the installation of a new buried 16 inch diameter 84 km long carbon steel pipeline.

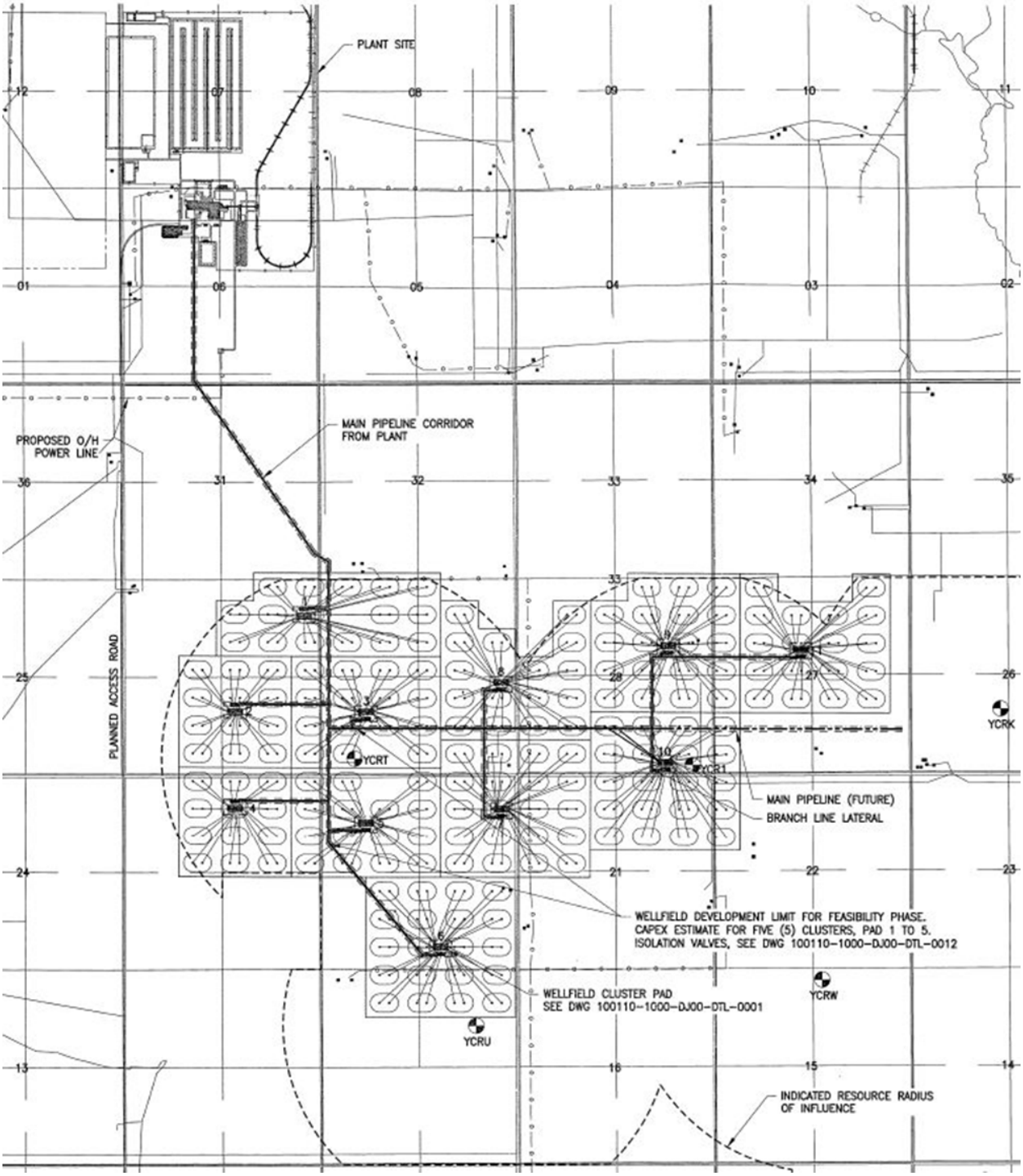
2.9.5 Electrical

The projected total peak demand for electricity is 58 MW + 10 MVAR with a global diversity factor of 1.21. The estimated power factor at the point of common coupling (PCC) to SaskPower is 0.985. The total peak demand for electricity for early cavern development is 8 MW + 5 MVAR with a global diversity factor of 1.1. The construction power (25 kV supply from SaskPower) is not adequate for the power demand required for cavern development

SaskPower has recommended tapping the C1W, 230 kV grid line. The tap requires construction of approximately 20 kilometers of new 230 kV line.

Standby power is planned using the installation of two 2.5 MW diesel generators.

Figure 2-17: Plant and Well Field Locations



Source: Amec Foster Wheeler 2016.

2.9.6 Port Facilities

During the FS, a potash export terminal study was conducted to evaluate the potential opportunities and viable options to ship potash through existing marine terminals in British Columbia.

Amec Foster Wheeler and Yancoal met with representatives from CN, Fraser Surrey Docks (FSD), Kinder Morgan (KM), Pacific Coast Terminals (PCT), and Port Metro Vancouver (PMV). Based on the required shipment of 2.8 Mtpa of potash, Amec Foster Wheeler established port infrastructure requirements as follows:

- railway for potash train unloading
- enclosed gravity-fed dumper pit
- storage shed, arch glulam type (150,000 t capacity)
- portal reclaimer and stacker (3,000 tph capacity)
- bulk material shiploader (2,000 tph to 2,500 tph loading rate)
- existing deep water berth with suitable navigational channel for transit to open sea

For the FS, a memorandum of understanding was signed with KM terminal, located on the northern bank of the Burrard Inlet. The KM terminal is a bulk marine terminal, strategically located on the north shore of the Burrard Inlet just east of the Lion's Gate Bridge in Vancouver's Port Metro Vancouver. The facility has been in operation since 1959. Since 2007, Vancouver Wharves Terminal has been a part of the Kinder Morgan Canada Terminals LP by signing a 40-year lease on the property. Kinder Morgan Canada Terminals LP is a subsidiary of U.S. Kinder Morgan Energy Partners, LP. In 2019, Kinder Morgan Canada was sold to Pembina Pipeline Corporation (Pembina). Pembina now operates the Vancouver Wharves Terminal.

The following new terminal infrastructure and associated upgrades to existing structures are required to support shipment of potash at the rate of 2.8 Mtpa at the Vancouver Wharves Terminal:

- additional railway lines at the existing railway loop for hopper car storage and handling (170 unit trains, with 3 locomotives each)
- one enclosed gravity-fed dumper pit (as minimum 3 railcar capacity)
- one arch-glulam beam storage building with a portal reclaimer and two trailing trippers for standard and granular potash product stacking
- shiploader modifications for potash handling (existing quadrant shiploaders)
- dredging, underwater shoring to retain dredged fill, mooring bollard/fender system rehabilitation (as required), additional mooring/breasting dolphin structures to accommodate Panamax class.

The terminal and development backstopping agreement for the Vancouver Wharves terminal was signed between Yancoal and KM. The next step is to prepare and sign a commercial agreement. SLR understands that no commercial agreement has yet been signed.

2.10 Environmental and Social Considerations

2.10.1 Environmental Studies

Golder Associates conducted an environmental assessment (EA) and compiled an Environmental Impact Statement (EIS) under the provincial *Environmental Assessment Act* for the Southey Project in 2016. The EA included baseline and effects assessment work for identified valued components (VCs). VCs included atmospheric environment, groundwater, surface water quality, hydrology, fish and fish habitat, soil, plant populations and communities, wildlife, heritage resources and socio-economics.

The EIS included mitigation measures and concluded that the Southey Project is not likely to cause significant adverse residual effects on most valued components of the biophysical environment. The EIS specifically states that adverse residual effects from the Southey Project are predicted not to significantly influence (Golder, 2016):

- Compliance with regulatory air emission guidelines and standards;
- Continued suitability of groundwater for human use;
- Availability of surface water quantity for human use;
- Continued suitability of surface water for human use;
- Self-sustaining and ecologically effective fish populations;
- Soil capability to support agriculture and other plant communities;
- Self-sustaining and ecologically effective plant populations and communities;
- Self-sustaining and ecologically effective wildlife populations;
- Protection of heritage resources; and
- Sustainability of social and economic properties.

2.10.2 Permitting

A federal Impact Assessment was not required for the Southey Project because potash mine development is not included in the regulation designating Physical Activities under the Canadian Environmental Assessment Act.

The Saskatchewan Minister of Environment (MoE) issued an approval of the EIA for the Southey Project on August 9, 2016. Yancoal applied for an extension to the approval in 2021 because the company had not yet started construction. The MoE granted the extension on May 20, 2021. Yancoal will need to request a further extension from MoE should the Southey Project not commence by August 9, 2026.

Key conditions of the environmental approval required Yancoal to submit:

- a development agreement with the regional municipality of Longlaketon prior to construction
- a community involvement plan. This condition was met when MoE approved the Yancoal Final Community Involvement Plan on June 14, 2019.
- an environmental protection plan that includes monitoring of agriculture land, Loon Creek, and water quality.

The following permits and approvals were also specified in the environmental approval:

- A permit to construct and operate the facility under the Mineral Industry Environmental Protection Regulations, 1996 pursuant to *The Environmental Management and Protection Act*, 2010.
- A water allocation licence from the Water Security Agency (WSA) for the use of water from Buffalo Pound Lake. The WSA issued a licence (number 17206-I003) on June 13, 2016 authorizing abstraction of up to 13,000 m^3 from Buffalo Pound Lake per year. This licence was valid for one year and Yancoal was required to contact the WSA prior to expiry to address reissuance requirements. Yancoal's proposed ultimate operational water requirements per year is 15,000,000 m^3.
- A licence from the Ministry of the Economy for wells used in the mining process for the injection of brine.
- Approval from the MoE for a decommissioning and reclamation plan which includes financial assurance, prior to construction. A high-level conceptual closure plan is included as Appendix 4-D to the EIS but it does not include a closure cost estimate. Yancoal has indicated that a full decommissioning and closure plan will be developed at a later stage.

The 2016 FS lists potential permit and approval requirements for the Southey Project and this is summarized in Table 2-13. It should be noted that third party utilities, including power, gas, rail, road infrastructure upgrades and port facilities will likely also require environmental approvals and permits, however SLR does not have information on this.

Table 2-13: Potential Approvals and Permits Required

	Legislation	Required Approval or Permit
Federal	*Fisheries Act* and Regulations	Authorization for work that may result in serious harm to fish (Section 35 [2] [b])
	Migratory Birds Convention Act and regulations	Notification only
Provincial	*Environmental Assessment Act*	EIA approval (obtained August 9, 2016)
	Environmental Management and Protection Act Environmental Code Chapter B.1.1 Discharge and Discovery Reporting Environmental Code Chapter E.1.1 Halocarbon Control Environmental Code Chapter E.1.2 Industrial Source (Air Quality) The used Petroleum and Antifreeze Products Collection Regulations The Mineral Industry Environmental Protection Regulations The Hazardous Substances and Waste Dangerous Goods Regulations The Waterworks and Sewage Works Regulations	Hazardous Substances and Waste Dangerous Goods Permit to Construct (Section 10) Hazardous Substances and Wastes Dangerous Goods Permit to Operate (Approval to Store – Section 9) Permit to Construct – Pollutant Control Facility Permit to Operate – Pollutant Control Facility Permit to Operate – Pollutant Control Facility Approval to Construct – Water Works Approval to Operate – Water Works Permit to Construct – Aquatic Habitat Protection Permit Environmental Protection Plan (Air Quality)

	Legislation	Required Approval or Permit
		Permit for the potable water treatment plant and associated reservoir if design capacity exceeds 18 m^3 per day Permit for the sewage lagoon if the design capacity exceeds 18 m^3 per day
	Water Security Agency Act Saskatchewan Watershed Authority Regulations	Water Rights Licence
	Wildlife Act Wildlife Regulations Wildlife Management Zones and Special Areas Boundaries Regulations Wildlife-Landowner Assistance Regulations Wild Species at Risk Regulations	Licence required to conduct species detection surveys
	Oil and Gas Conservation Act and Regulations	Drilling License Wastewater Disposal Well Permit
	Highways and Transportation Act The Controlled Access Highways Regulations The Highways and Transportation Regulations The Erection of Signs Adjacent to Provincial Highways Regulations	Approach Permit Oversize/Overweight Permits Roadside Permit Off-premise Sign Application On-premise Sign Application
	Planning and Development Act The Statement of Provincial Interest Regulations The Subdivision Regulations The Dedicated Lands Regulations	Development Permit Discretionary Use Approval Road Haul Agreement
	Reclaimed Industrial Sites Act and Regulations	Release from site Approval
	The Public Health Act The Plumbing and Drainage Regulations The Public Sewage Works Regulations The Food Safety Regulations The Public Accommodation Regulations	Permit to construct and operate a private sewage works Licence for a public eating establishment Approval for an itinerant use accommodation License to operate an itinerant use Accommodation

Source: Amec Foster Wheeler 2016.

2.10.3 Social Aspects

2.10.3.1 Socio-Economic Impacts and Effects

The 2016 EIS concluded that residual effects from the Southey Project are predicted related to employment and economy (positive impacts), increased pressure on community services and infrastructure, quality of life and traditional and non-traditional land use. Most of these residual effects were not considered to be significant. The migration of people to the area and resultant increase in demand for infrastructure and services in the area is expected to have cumulative impacts, which have the potential to result in a significant adverse residual effect on community infrastructure and services.

The EIS also concluded that the Southey Project is not predicted to affect heritage resources as no heritage resources were found within the core facilities area. However, it is noted that if development plans in the future extend into areas of native prairie adjacent to West Loon Creek, this will require additional Heritage Resources Impact Assessment.

2.10.3.2 Engagement

Yancoal engaged local residents, communities, First Nations and Métis communities, and regulatory agencies during the EIA process, and indicated that the company would provide updates and continue engagement as the Southey Project develops. A total of 15 First Nation and Métis communities were identified due to their proximity to the Southey Project and based on having potential interest in the Southey Project or the potential to be affected by the Southey Project. These nations and communities were contacted for Southey (Golder, 2016):

- Carry the Kettle First Nation;
- Day Star First Nation;
- George Gordon First Nation;
- Kawacatoose First Nation;
- Little Black Bear First Nation;
- Muscowpetung First Nation;
- Muskowekwan First Nation;
- Okanese First Nation;
- Pasqua First Nation;
- Peepeekisis First Nation;
- Piapot First Nation;
- Standing Buffalo First Nation;
- Star Blanket First Nation;
- Métis Eastern Region 3; and
- Métis Western Region 3

Non-Indigenous communities engaged included the regional municipality of Longlaketon and the towns of Southey and Strasbourg.

Community updates for 2018 are provided on the company website. Yancoal informed SLR that the company met with Indigenous Nations in November 2024, and provided a letter of support for the Southey Project from Muscowpetung Saulteaux Nation dated November 5, 2024.

The Community Involvement Plan indicates that an advisory committee will be established and will develop a terms of reference. The composition of the group is proposed to include 35 % local residents, 25% extended municipalities, 25% provincial and community services, 5% First Nations (optional), 5% Project team and 5% other interests. The Kawacatoose First Nation and Muscowpetung First Nation were mentioned as potential First Nations committee representatives.

2.10.3.3 Land Access

According to 2016 EIS, Yancoal intends to secure (e.g., through lease agreements) the land required for the full mine surface infrastructure area as it progresses over time. Land acquisition will therefore be ongoing. Yancoal has secured the land for the first phase of surface infrastructure.

2.11 Capital and Operating Cost Estimates

2.11.1 Capital Cost Estimates

SLR reviewed the initial and updated capital cost estimate for the Southey Project based on the FS completed by Amec Foster Wheeler in early 2016 and the Project Puma Technical Review, dated July 12, 2024 (the 2024 Technical Review) completed by Wood PLC (Wood) in July 2024. SLR notes that Amec Foster Wheeler was acquired by Wood, and in effect, Wood updated their own cost estimates from a basis of Q4 2015 to Q1 2024 dollars.

The updated capital cost is estimated to be C$5,463 million, comprising C$3,860 million of direct costs, C$890 million of indirect costs (including Owner's Costs) and a contingency allowance of C$713 million. The estimate is classified as Association for the Advancement of Cost Engineering (AACE) Class 3 with an expected accuracy of -10% to +15%. The capital cost is summarized in Table 2-14.

Table 2-14: Initial Capital Cost Estimate

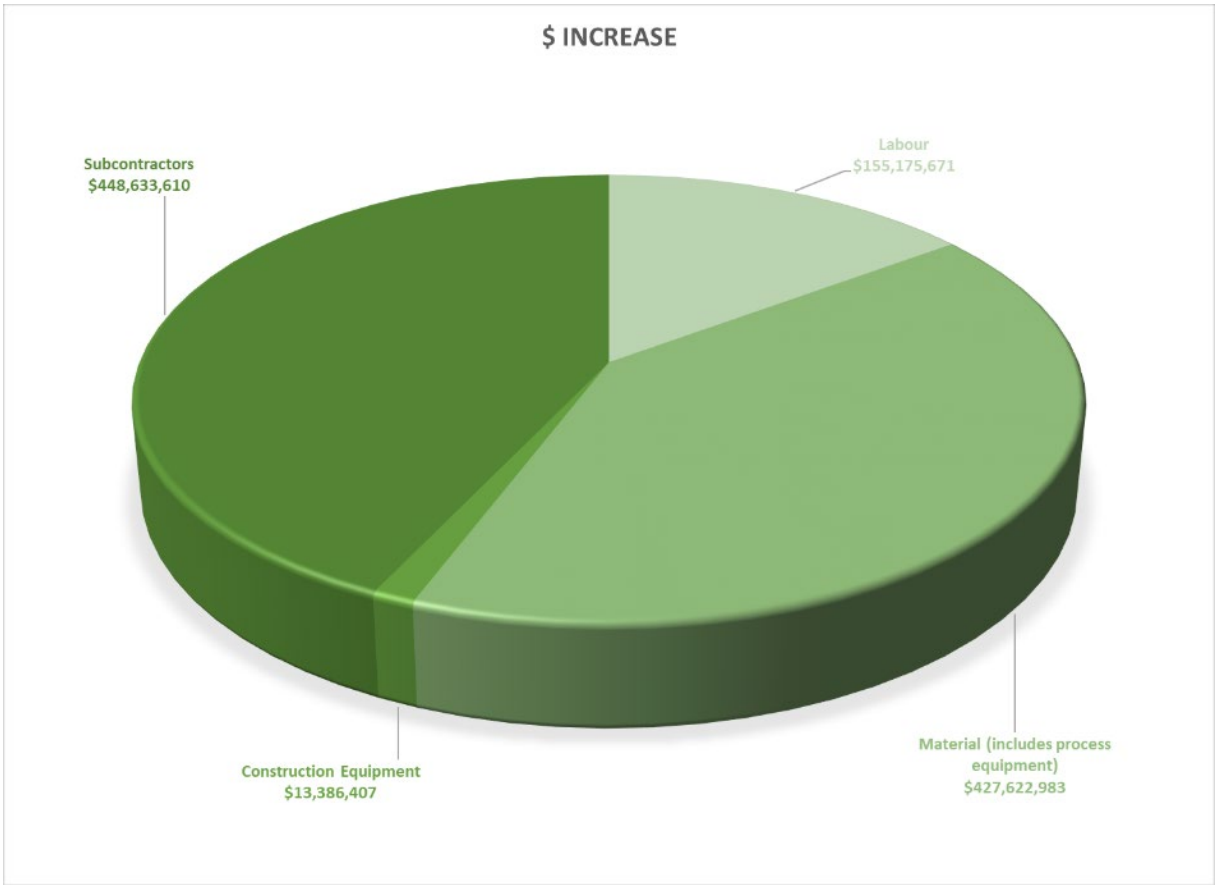
Description	Labor Cost	Material Cost	Construction Equipment Cost	Subcontract Cost	Other Cost	Total Cost
	(C$000)					
Direct Costs	694,330	1,016,539	98,277	1,303,550	0	3,112,696
Direct Costs Growth Allowances	34,716	50,827	4,914	65,178	0	155,635
Direct Field Costs	729,046	1,067,366	103,191	1,368,728	0	3,268,331
Camp	0	6,550	0	181,464	0	188,015
Field Construction Indirects	28,490	85,047	0	290,312	$0	403,849
Total Field Costs	757,536	1,158,963	103,191	1,840,504	0	3,860,194
PST	0	0	0	0	249,097	249,097
EPCM	0	0	0	0	448,341	448,341
Owner's Costs	0	0	0	0	193,010	193,010

Description	Labor Cost	Material Cost	Construction Equipment Cost	Subcontract Cost	Other Cost	Total Cost
	(C$000)					
Total Field Costs + Indirect Costs	757,536	1,158,963	103,191	1,840,504	890,447	4,750,642
Contingency @ 15%	0	0	0	0	712,596	712,596
Project Cost Estimate	757,536	1,158,963	103,191	1,840,504	1,603,044	5,463,238

The capital expenditure estimate for the Southey Project is detailed at an FS level and represents a combination of the scopes of work. The FS estimate has been updated in the 2024 Technical Review and considers the following elements:

- Revision of the exchange rates altering the USD/CAD to 1.355 from 1.32 in the 2016 FS.
- Cost escalation has been accounted for considering updated labour rates and Federal Reserve Economic Data escalation indices.
- Revised labour productivity factors to align with trend observed on recently executed projects which are higher than what was estimated. The updated estimate reflects higher labour productivity factor (i.e., lower productivity) which results in more hours for the task or a decrease in productivity.
- Estimating methodology updates whereby design growth allowances have been included on labour, construction equipment and subcontractor costs (in addition to materials in the prior estimate)
- Inclusion of Saskatchewan PST (Provincial Sales Tax) at 6% now applicable to all field costs and 6% of 30% of Engineering and Procurement costs compared to previously applicable 5% on materials and equipment only.
- The EPCM costs have been prorated based on the relative changes in Total Field Costs.
- Extraction of the PST previously included Owner's Costs which is no shown separately based on a standard percentage included for the expected Owner's Costs.
- The Contingency has been increased to 15% from the previous allowance of 12%, based on a probabilistic analysis plus a separate amount for a SaskWater contingency.
- Items that are not considered and included in the update are:
- Potential sourcing strategy revision whereby sourced from Asia in the prior estimate could be changed to domestic steel. This will lead to increase in costs.
- Forward escalation beyond 2024 has not been included at this time.
- The items listed culminate in an increase of 47% on direct field cost since 2016. The differences in direct field costs from the 2016 estimate and the updated estimate are summarized in Figure 2-18.

Figure 2-18: Summary of Increases to Capital Cost from 2016 to 2024



2.11.1.1 SLR Capital Cost Comments

- SLR offers the following comments related to capital costs:
- Based on the stated Class 3 accuracy of -10% to +15%, the outturn capital cost would be between C$4,916 million to C$6,283 million.
- Wood has extensive local experience and market knowledge and the approach to develop the FS and the recent updated FS capital costs follows acceptable methods and standards.
- The total Indirect cost for the Southey Project is estimated to be C$1,233 million which is 37.7% of the direct costs, which in SLR's opinion is sufficient for a project in the region.
- The total Indirect cost for the Engineering, Procurement, Construction Management (EPCM) cost is estimated to be C$448 million which is 13.7% of the direct costs, which in SLR's opinion is on the lower end of the expected range of 16-25% for projects in the region.
- The total Owner's cost for the Southey Project is estimated to be C$193 million which is 5.9% of the direct costs. The generally expected range is 5% to 8% of the project's direct costs and SLR is of the opinion that the estimated Owner's cost is sufficient for a greenfield project in the region.

- The contingency increase to 15% is acceptable, however experience on current mega projects indicate that these regularly overrun by more than 15%. SLR would recommend that further specific risk and management reserves be included in future updates.
- The forecast capital cost flow would require revision to be aligned with the project execution strategy, planned early works, required seasonal works and project execution schedule and used in the financial modelling for the project.

2.11.2 Sustaining Capital Costs

Sustaining capital costs were estimated in the FS as the cost associated with continuous expansion or improvement. Sustaining capital for the project is separated into three categories:

- Wellfield expenses, starting in year 9 and averaging C$12.73/t for well drilling and development and C$15.91 for well field pipelines commencing in year 8 (2016 $)
- Processing plant and site expenses estimated at 0.25% to 1.5% of the plant replacement cost
- Reclamation expenses to cover well reclamation, bonds and C$0.50/t (2016 $) for TMA reclamation.

RPA (2016) included C$4,207 million in sustaining capital over the LOM life evaluated at the time. SLR has applied the 47% capital cost increase applied to the capital cost estimate to update the sustaining capital cost estimate to C$6,184 million.

2.11.3 Operating Cost Estimates

SLR reviewed the initial and updated operating cost estimate for the Southey Project based on the FS completed by Amec Foster Wheeler in early 2016 and the 2024 Technical Review completed by Wood. Wood updated the FS operating cost estimate from Q4 2015 dollars to Q1 2024 dollars.

The updated annual operating cost estimate in full operation and including the carbon tax is $519.8 million per year or $185.65/t of product in Q1 2024 dollars. The annual costs and the unit costs are shown in Table 2-15.

Table 2-15: Operating Cost Estimate with Carbon Tax Included

Parameter	Annual Cost (C$000)		Unit Cost (C$/t)	
	Primary	Primary & Secondary	Primary	Primary & Secondary
Annual Production (Mtpa)	2.0	2.8		
Labour	46,010	48,183	23.01	17.21
Maintenance & Repair Supplies	16,307	17,284	8.15	6.17
Power	35,096	41,533	17.55	14.83
Natural gas	56,140	61,995	28.07	22.14
Natural Gas Carbon tax	131,215	144,899	65.61	51.75
Water	8,858	9,406	4.43	3.36

Parameter	Annual Cost (C$000)		Unit Cost (C$/t)	
	Primary	Primary & Secondary	Primary	Primary & Secondary
Consumables	11,999	16,658	6.00	5.95
Well Field Operation	12,603	16,390	6.30	5.85
Subtotal	**318,228**	**356,348**	**159.11**	**127.27**
Rail Car Cost	16,362	16,362	8.18	5.84
Rail Freight	60,175	84,244	30.09	30.09
Port Cost	44,910	62,874	22.46	22.46
Logistics	**121,447**	**163,480**	**60.72**	**58.39**
			-	-
Grand Total	**439,675**	**519,828**	**219.84**	**185.65**

Wood updated the FS operating cost estimate from Q4 2015 dollars to Q1 2024 dollars as follows:

- Labour rates were updated based on 2023 labour contract for one of the nearby potash operations (/https://saskpotashcouncil.files.wordpress.com/2023/04/lanigan-2021-2024-cba-final-review-1.pdf).
- Maintenance material costs were updated using the update capital costs for the mechanical equipment, piping and tanks. Maintenance costs were estimated assuming 5% of the capital costs.
- The railcar rental costs were escalated using the Federal Reserve Economic Data (FRED) index.
- The rail freight costs were escalated using the Railway Association of Canada (RAC) Rail Trends - freight rates.
- The water, reagents, wellfield costs, and port costs were escalated using 2.5% inflation per year (historically inflation has averaged close to 2.5% annually in Saskatchewan) from 2016 to 2023. This resulted in a factor of 1.025^8 or 1.218 (21.8%).
- Power costs were based on the published 2023 SaskPower rate schedule.
- Natural gas costs were not changed from the FS based on the natural gas forecast from the Alberta Energy Regulator.
- The estimated carbon tax, enacted subsequent to the 2016 FS, was included in the Wood cost estimate.

2.11.3.1 Natural Gas Carbon Tax

Canada's carbon levy started in 2019 at C$20/t, it is now increasing by C$15 a year until 2030, when it will reach C$170/t. Wood incorporated the carbon tax in its operating cost update. The carbon tax is 28% of the operating costs and is an issue in Canadian politics. The next federal

election must occur on or before October 20, 2025 and a change in the government could result in reduction or abolishment of carbon tax. Table 2-16 reflects the project operating costs with complete removal of the carbon tax.

Table 2-16: Operating Cost Estimate with Carbon Tax Excluded

Parameter	Annual Cost (C$000)		Unit Cost (C$/t)	
	Primary	Primary & Secondary	Primary	Primary & Secondary
Annual Production (Mtpa)	2.0	2.8		
Labour	46,010	48,183	23.01	17.21
Maintenance & Repair Supplies	16,307	17,284	8.15	6.17
Power	35,096	41,533	17.55	14.83
Natural gas	56,140	61,995	28.07	22.14
Water	8,858	9,406	4.43	3.36
Consumables	11,999	16,658	6.00	5.95
Well Field Operation	12,603	16,390	6.30	5.85
Subtotal	187,013	211,449	93.51	75.51
Rail Car Cost	16,362	16,362	8.18	5.84
Rail Freight	60,175	84,244	30.09	30.09
Port Cost	44,910	62,874	22.46	22.46
Logistics	121,447	163,480	60.72	58.39
Grand Total	308,460	374,929	154.23	133.90

2.11.3.2 SLR Operating Cost Comments

- Based on the updated operating costs and the inclusion of the carbon tax the operating costs in full operation would be C$520 million per year or C$185.65/t of product.
- The complete removal of the carbon tax would reduce the operating costs in full operation to C$375 million per year or C$133.9/t of product.
- SLR offers no opinion on the future of the natural gas carbon tax.
- Wood has extensive local experience and market knowledge and the approach to develop the FS and the recent updated FS operating costs follows acceptable methods and standards.
- The most significant cost addition was the carbon tax of C$145 million per year (C$51.74/t of product).

- Excluding the carbon tax, operating costs were increased by 19.4%. With the carbon tax the estimated operating costs increased by 65.5% from the FS estimate.
- The FS assumed rig costs based on a slack period in the drilling industry on the Prairies, the operating costs may be impacted at a rate in excess of annual escalation depending upon the state of the drilling industry when the Southey Project is started.

2.12 Financial Model

2.12.1 Income Approach

Producing mine properties are commonly valued using Discounted Cash Flow Analysis (DCF Analysis) to derive a NPV, however, this analysis can also be used for mineral properties that are sufficiently advanced such that reasonable estimates of Mineral Resources, Mineral Reserves, and capital and operating costs are available for DCF Analysis. This valuation approach often requires the prior completion of a technical-economic study, such as a Preliminary Feasibility Study (PFS) or FS.

For producing mines or mines nearing production (with a completed PFS or an FS), the following parameters are required to prepare a DCF Analysis:

- Estimates of Mineral Reserves and Mineral Resources, if justified, for the life of the mine.
- Metallurgical recovery and payable product or net smelter return.
- Appropriate commodity prices.
- Operating costs for the mine, plant and overhead.
- Capital costs, including sustaining capital.
- Environmental aspects, including permitting and reclamation and closure costs.
- Depletion and depreciation allowances and applicable taxes.
- Financing costs, if applicable.
- Appropriate discount rates.

SLR understands that no final investment decision (FID) to develop Southey has been made, and even when an FID is made, construction could only commence after additional permitting and financing is arranged.

Grant Thornton has instructed SLR that they do not believe a DCF is applicable to circumstances of the Southey Project mainly due to the upfront capital required to develop the project compared with the current market capitalization of Highfield and the Management's decision to focus on the development of the Muga Project in the first instance. Accordingly, SLR has not provided inputs or changes to the DCF model prepared by Yancoal Canada.

2.13 Valuation

2.13.1 Valuation Summary and Conclusions

SLR has used Comparable Transactions Analysis for the valuation of Mineral Resources at the Southey Property and for valuation of the Other Southey Properties without Mineral Resources.

For the Southey Mineral Resources, this approach utilizes a US$/t K_2O metric based on similar potash property transactions with Mineral Resources in Saskatchewan. The US$/t valuation range applied is as follows, and results in a value range of US$149 million to US$297 million:

- Most comparable properties: US$0.15 to US$0.30 per tonne of K_2O.

For the Other Southey Properties without Mineral Resources, this approach utilizes a US$/ha metric based on similar potash property transactions without Mineral Resources. The US$/ha value range applied is US$100 to US$200 per hectare and results in a value range of US$10.1 million to US$20.2 million.

2.13.2 Key Assumptions, Risks, and Limitations

For the purposes of this valuation, SLR has made the following assumptions, interpretations, and estimates:

- SLR has relied on data and information provided by HFR, and Yancoal, along with its parent and subsidiary entities. This includes mineral tenure information, locations, and current status.
- SLR has used information in the public domain and in the proprietary S&P Global Market Intelligence (S&P) database to which it subscribes. There is a limited pool of comparable potash transactions, requiring an extended search period (2008-2020) and necessitating adjustments for potash price variations over time. This limited dataset increases the potential for error in market comparability.
- SLR Associate Principal Geologist Paul Chamois, P.Geo., has visited the Property that is the subject of this valuation.
- This valuation does not include any consideration of environmental liabilities that may be associated with the Southey property or other claims.

For this valuation, SLR has assumed that the Property could be explored and that any economic deposits discovered could be permitted for development under the regulatory framework in the Province of Saskatchewan.

Highest and Best Use (HBU) is a valuation concept that would produce the highest value for an asset. The HBU must be physically possible, financially feasible, legally allowed, and result in the highest value (International Valuation Standards 140). For the valuation of the Property, SLR has considered only the value of mineral rights or subsurface rights that adhere to the mineral tenures and has not considered other possible uses or values such as surface rights, water rights, timber rights, etc., that may also be vested in the Property or parts of the Property.

2.13.3 Valuation Approach and Methodology

As in other fields, the three main approaches to the valuation of mineral properties are Market, Income, and Cost approaches. Comparable Transactions Analysis, a Market Approach, is used for valuation of the Southey Mineral Resources and the Other Southey Claims.

2.13.3.1 Comparable Transactions Analysis

The value of a non-producing mineral property depends on its perceived potential for the existence and discovery of an economic mineral deposit. The potential in turn depends on a number of factors that must be considered when choosing market comparables. These comparability factors include such items as geology, mineralization, stage of exploration and results, mineral resources, location and geography, and political jurisdiction. The date of the

market comparables must be within a reasonable time period of the valuation date of the subject property. The method is described in articles by W.E. Roscoe (2003 and 2007).

Although it is difficult to find good market comparables due to the unique nature of mineral properties, these difficulties are compensated for by analyzing a number of transactions on similar properties to develop a range of values for the subject property.

For valuation purposes, market comparables can be expressed in terms of total property value, value per unit area (e.g., $ per hectare), or value per unit of metal or other commodity contained in Mineral Resources (e.g., $ per ounce of gold, or $ per tonne of K_2O).

For market transactions on exploration properties without Mineral Resources, a $/ha value can be calculated by dividing the property value by the property size in hectares. If the transaction is for less than 100% of the property, the transaction value is normalized to a 100% interest.

For market transactions on Mineral Resource properties with a single metal or other commodity, a value per unit of the metal or commodity can be calculated from the value of the transaction and the ounces or pounds of metal in the resource estimate. The value per unit can also be expressed as a percentage of the metal or commodity price at the time of the transaction. Alternatively, the value per unit can be adjusted to by the ratio of the commodity price at the transaction date to the price at the valuation date.

The market comparable ratios ($/ha, $/oz, $/t., etc.) are further analyzed to derive a range of unit values to apply to the subject property to estimate a range of values.

2.13.3.2 Option Agreement Terms Analysis

The Option Agreement Terms Analysis Method can be utilized to value some properties used as market comparable transactions. The method is described in articles by W.E. Roscoe (2003 and 2007).

Most market transactions on non-producing mineral properties are not forthright cash or share deals, but rather are typically option, earn-in, or joint venture agreements whereby one party obtains the right to earn an interest in the property from another party by fulfilling certain commitments over a period of time. The terms of the option or earn-in agreement must be analyzed to estimate a value for the property being transacted.

In a typical option agreement, a schedule of firm and optional commitments must be fulfilled to earn an interest in the property. The commitments may include payment of cash, issue of shares by the earn-in party, expenditures on mineral exploration, and royalties on production. In general, the commitments are firm in the first year and optional in subsequent years.

Option Agreement Terms Analysis considers the firm commitments to contribute 100% to the value of the property. The optional commitments are assigned a subjective probability of the earn-in party fulfilling each of the annual commitments in the subsequent years of the agreement. The optional commitments multiplied by the probability factor for each year are considered to be the contribution to value. The transaction value is the sum of the firm commitment values and the probability-weighted optional commitment values. If the transaction is for a partial interest in the property, the value is adjusted to a 100% interest in the property.

2.13.4 Comparable Transactions Analysis for Properties with Resources

For the valuation of the Mineral Resources of the Southey property, SLR used Comparable Transactions Analysis on transacted properties which contained Mineral Resources.

SLR has compiled information on transactions on potash properties with Mineral Resources with and without Ore Reserves (Mineral Reserves) using the S&P Global Market Intelligence database that SLR subscribes to. Information on each property was compiled on transaction value. Some were asset transactions, and some were corporate transactions, and consideration was cash, shares, or a combination. If the transaction was for less than a 100% interest, the transaction value was adjusted to a 100% interest. Information was compiled on in-place Mineral Resources (Measured, Indicated, and Inferred), which in some cases included Proved and Probable Ore Reserves. For each transacted property, the value in $/t K_2O was calculated from the transaction value in US$ divided by total tonnes of K_2O contained in the Mineral Resources.

Fourteen transactions were found on potash properties in Canada, USA, Ethiopia, UK, Kazakhstan, and Russia over the period 2008 to 2020. Initial review of the transactions for comparability resulted in elimination of six as not being sufficiently similar to the Southey Project. Reasons include project located in non-Western political jurisdictions (Ethiopia, Kazakhstan, and Russia) and project under construction (UK). Projects that have reached the construction stage or are in production tend to have higher values per unit of commodity than those at earlier stages of development. Of the eight remaining transacted properties, six are in Saskatchewan, Canada and two are in Utah and Colorado, USA. For this valuation, only the six Saskatchewan transactions have been used since the subject Southey property is located in Saskatchewan.

Table 2-17 lists information on the six properties. All are located within the Elk Point Basin which underlies most of southern Saskatchewan and adjacent provinces and states. The stratigraphy includes the Prairie Evaporite Formation which contains extensive salt and potash deposits. All of the comparable properties have similarities to the Southey property in terms of location, access, property size, geological setting, and potash mineralization. All have been explored by core drilling and sampling, and mineral resources have been estimated in a similar manner. For some of the properties, Mineral Resources were reported on the basis of recoverable potash. SLR has recalculated these as in place Mineral Resources for the purpose of comparability.

Burr and Jansen Properties

The Burr and Jansen properties are located in the general vicinity of the Lanigan underground potash mine east of Saskatoon. Although still at the resource stage at the time of their transactions, their transaction prices were the two highest, which may be due to their higher grades (approximately 23% K_2O), their location, and high potash prices at the time of the transactions which may not be fully accounted for by SLR's price adjustment, explained below. The Jansen project is currently under construction as an underground potash mine.

Wynyard and Legacy Properties

The Wynyard and Legacy properties had both a PFS and FS completed at the time of their transactions, which probably makes them the most comparable of the six Saskatchewan transactions to the Southey property. The Wynyard PFS considered production of magnesium chloride in addition to potash.

Milestone Property

The Milestone property had a Scoping Study for a pilot study at the time of the transaction, which superseded a previous FS. Grade of the Mineral Resources at approximately 13% to 16% K_2O is relatively low compared to the Southey average grade of approximately 19% K_2O, which may explain at least in part the relatively low value of $0.061/t K_2O (adjusted by price).

Muskowekwan Property

The Muskowekwan property has the second lowest transaction value at US$0.048/t K_2O. The deal value, normalized to 100% interest, of only $24 million, appears to be anomalously low compared to the deal values of the other transactions that range upwards from $119 million. At the time of the transaction, Encanto Potash Corp. appeared to be in financial difficulties with a working capital deficiency of $26.7 million on June 30, 2020. The company had lost its TSX Venture listing in March 2020, and expressed concern about its ability to continue as a going concern. The transaction therefore appears to be done under stress and need for financing and may represent less than market value.

Recommended Range of US$/t K_2O Values

Due to the general scarcity of suitable transactions on potash properties, SLR had to search over a longer than usual time period, in this case back to 2008. To account for the long time period, SLR has adjusted the US$/t values by the ratio of the current potash price to the price at the time of the transaction. The KCl price at the transaction date is shown in the fourth column and the adjusted US$/t value is shown in the last column. This resulted in less variability in the US$/t data, as measured by the coefficient of variability (CV; standard deviation divided by the average). The adjusted US$/t values are used for the following further analysis.

SLR has calculated statistics of the US$/t data and other parameters as shown in Table 2-17. The adjusted US$/t values range from US$0.048 to US$0.795 with an average of US$0.32 and median of US$0.23. Without the highest and lowest US$/t values, the average is US$0.27/t and median is US$0.23/t.

As noted above, the Wynyard and Legacy properties appear to be the most comparable to the Southey property for purposes of this valuation. They represent the two middle transaction values of US$0.30/t and US$0.16/t of contained K_2O. For these two transactions, the average and median values are both US$0.23. Based on this analysis and the US$/t values of the two most comparable transacted properties, SLR recommends a range of US$0.15/t to US$0.30/t of contained K_2O to apply to the Mineral Resources of the Southey property.

Table 2-17: Southey Comparable Transactions Analysis for Properties with Potash Resources and Reserves

Property Name	Location		Transaction Date	KCl Price US$/t	Interest Acquired (%)	Buyer	Seller	Tonnes of In Place K2O	Deal Value (100% Basis) (US$)	Value US$/tonne K2O	$/t K2O Adjusted to Current Price
Burr	SK	Canada	28-Jan-10	389.38	100.00%	BHP Billiton Canada	Athabasca Potash	297,014,343	320,368,283	1.079	0.795
Jansen	SK	Canada	12-May-08	546.00	25.00%	BHP Billiton Diamonds	Anglo Potash	1,043,763,401	1,130,798,328	1.083	0.569
Wynyard	SK	Canada	10-Jan-13	395.00	19.98%	Gujarat State Fertilizers	Karnalyte Resources	556,420,560	226,900,329	0.408	0.296
Legacy	SK	Canada	22-Nov-10	322.50	100.00%	K+S	Potash One	2,435,613,318	425,991,362	0.175	0.156
Milestone	SK	Canada	16-Sep-15	301.50	51.00%	Beijing Tairui Innovation	Western Potash	1,847,810,200	119,060,907	0.064	0.061
Muskowekwan	SK	Canada	31-Aug-20	202.50	22.96%	ESG Global Impact	Encanto Potash	716,227,120	24,378,489	0.034	0.048
		Sept 30, 2024 KCL price US$/t		286.88							
					All Transactions		Average	1,149,474,824	374,582,950	0.474	0.321
							Median	879,995,260	273,634,306	0.291	0.226
							Std Dev	826,934,729	396,784,220	0.488	0.302
							CV	72%	106%	103%	94%
					Without highest and lowest $/t		Average	1,470,901,870	475,687,731	0.433	0.271
							Median	1,445,786,800	326,445,845	0.291	0.226
							Std Dev	834,955,369	454,869,024	0.457	0.221
							CV	57%	96%	106%	82%
					Without highest and 2 lowest $/t		Average	1,345,265,760	594,563,340	0.555	0.340
							Median	1,043,763,401	425,991,362	0.408	0.296
							Std Dev	975,202,087	474,942,398	0.472	0.210
							CV	72%	80%	85%	62%
					Without 2 highest and 2 lowest $/t		Average	1,496,016,939	326,445,845	0.291	0.226
							Median	1,496,016,939	326,445,845	0.291	0.226
							Std Dev	1,328,789,942	140,778,620	0.165	0.099
							CV	89%	43%	57%	44%
					Without 2 highest and 1 lowest $/t		Average	1,613,281,359	257,317,533	0.216	0.171
							Median	1,847,810,200	226,900,329	0.175	0.156
							Std Dev	961,298,179	155,709,604	0.175	0.118
							CV	60%	61%	81%	69%

Recommended Range of $/t K20 Values - adjusted by potash price **US$0.15 to 0.30 per tonne**

2.13.5 Valuation of Southey Mineral Resources

The Southey Property is at the feasibility and permitting stage. Based on SLR's review, Mineral Resources are estimated as 1,861 Mt at 19.53% K_2O in the Indicated Resources category and 3,359 Mt at 18.67% Inferred Resource. Table 2-18 summarizes the Mineral Resources and shows the range of US$/t K_2O of 0.15 to 0.30 applied to the tonnes of contained K_2O in the Mineral Resources.

For the 991 Mt of contained K_2O in all Resource categories, a value range of US$149 million to US$297 million is obtained.

SLR notes that the Indicated Mineral Resources have been considered in the mine plan and approximately 28% of the contained K_2O is estimated to be recoverable as Ore Reserves.

Table 2-18: Valuation of Southey Mineral Resources

Southey In Place Mineral Resources			
Resource Category	**In Place Tonnes (Mt)**	**Grade (% K_2O)**	**Contained (Mt K_2O)**
Indicated	1,861	19.53	364
Inferred	3,359	18.67	627
Total	5,220	18.98	991

Valuation of Southey Mineral Resources					
Resource Category	**Contained (Mt K_2O)**	**Range of $/t Values**		**Range of Values (US$M)**	
		Low end	**High End**	**Low end**	**High End**
All categories	991	0.15	0.30	149	297

It is noted that this valuation range is not an in situ or in ground valuation of the Mineral Resources as described by Clause 51 of the JORC Code 2012. Rather, this is a project-wide valuation that takes into consideration all modifying factors, as applicable.

2.13.6 Comparable Transactions Analysis for Properties without Resources

For the valuation of the Other Southey Claims, which do not contain Mineral Resources, SLR used Comparable Transactions Analysis on transacted properties without Mineral Resources.

SLR has compiled information on transactions on potash properties without Mineral Resources using the S&P Global Market Intelligence database that SLR subscribes to. Information on each property was compiled on transaction value. Consideration for the asset transactions was cash, and in one case, part was as a convertible debenture. If the transaction was for less than a 100% interest, the transaction value was adjusted to a 100% interest. The area of each transacted property was expressed in hectares (ha). For each transacted property, the value per hectare (US$/ha) was calculated from the transaction value in US$ divided by property area.

Only three applicable transactions were found on potash properties in Canada, all in Saskatchewan. Two were in 2011 and one was in 2016. Table 2-20 lists information on the

three properties. To account for the long time period covered by the transactions, SLR has adjusted the US$/ha values by the ratio of the current potash price to that at the time of the transaction. The KCl price at the transaction date is shown in the fourth column and the adjusted US$/ha value is shown in the last column. This resulted in less variability in the US$/ha data, as measured by the coefficient of variability (CV; standard deviation divided by the average). The adjusted US$/ha values are used for further analysis.

SLR has calculated statistics of the US$/ha data and other parameters as shown in Table 2-20. The adjusted US$/ha values range from US$71 to US$433 with average of US$249 and median of US$241. Without the highest US$/ha value, the average and median are both US$156/ha. The latter average and median values place more weight on the most recent transaction date. Based on this analysis, SLR recommends a range of US$100/ha to US$200/ha to apply to the areas of the Other Southey Claims.

2.13.7 Valuation of Other Southey Claims

Four other potash claims located to the west of the main Southey property are part of the property holdings. There are no Mineral Resources reported for the Other Southey Claims. The total value ranges from US$10.1 million to US$20.2 million, as shown in Table 2-19.

Table 2-19: Valuation of Southey Claims without Resources

Claim Number	Area (ha)	Range of $/t Values		Range of Values (US$ millions)	
		Low End	High End	Low End	High End
KL 238	15,757	100	200	1.6	3.2
KL 239	31,223	100	200	3.1	6.2
KL 240	33,197	100	200	3.3	6.6
KL 241	20,802	100	200	2.1	4.2
Total	100,979			10.1	20.2
		Rounded Value Range		**US$10.1 million to US$20.2 million**	

Table 2-20 shows how the valuation of the Other Southey Claims was derived, resulting in a range of US$100/ha to US$200/ha.

It is noted that this valuation range is not an in situ or in ground valuation of the Exploration Potential as described by Clause 51 of the JORC Code 2012. Rather, this is a project-wide valuation of the mineral tenures outside the Southey area that takes into consideration all modifying factors, as applicable.

Table 2-20: Southey Comparable Transactions Analysis for Potash Properties Without Mineral Resources

Property Name	Location	Transaction Date	KCl Price US$/t	Interest Acquired (%)	Buyer	Seller	Property Area (ha)	Deal Value (100% Basis) (US$)	Value (US$/ha)	US$/ha Adjusted to Current Price
11 Permits	Saskatchewan	18-Jul-11	442.50	100%	Yanzhou Coal Mining	Devonian Potash	236,000	157,745,575	668	433
8 Permits	Saskatchewan	18-Jul-11	442.50	100%	Yanzhou Coal Mining	North Atlantic Potash	310,000	115,296,500	372	241
Two Permits	Saskatchewan	6-Apr-16	301.50	100%	Glencore Potash	Yancoal Canada	25,820	1,934,896	75	71
KCl Price on September 30, 2024			286.88							
				All Transactions		Average	190,607	91,658,990	372	249
						Median	236,000	115,296,500	372	241
						Std Dev	147,428	80,549,927	297	181
						CV	77%	88%	80%	73%
				Without highest $/ha		Average	167,910	58,615,698	223	156
						Median	167,910	58,615,698	223	156
						Std Dev	200,946	80,158,759	210	120
						CV	120%	137%	94%	77%
				Recommended Range of $/ha Values			**US$100 to US$200 per ha**			

2.14 Southey Project Risks and Opportunities

2.14.1 Project Risks

- The well count per pad is considered to be high and while technically feasible further development of the designs is warranted.
- The Project assumed a low percentage of fines in loadout (2.7%). Other similar sites are seeing up to 15% fines generation after compaction. This can be mitigated by higher capacity fines screening at loadout, and/or additional compaction capacity.
- The process upset pond has a single liner.
- SaskWater may need to develop a new regional pumphouse to meet demand. The cost of the new regional pumphouse was included in the capital cost.
- 1,000 tph rail loading rate has proven challenging at other sites, especially on a single track.
- 125,000 kt product storage may be too small. Experience elsewhere is the product needs to cure for a while to gain competence. Other potash producers target a minimum of 20 days storage.
- Capital costs may be higher as the estimate is based on inflation of the 2016 estimate. Other impacts may include domestic steel versus Chinese steel, PST legislation, and the abnormally high escalation after COVID-19.
- The actual cost of the port upgrades could be higher than the Southey FS costs.
- Currency exchange rates have fluctuated since the 2016 estimate, a stronger US$ would cost the project more in C$.
- Community support for the Southey Project to gain the required construction and operating permits.
- Environmental approvals: The EIA approval will remain valid as long as there are no material changes to the Southey Project, and Yancoal submits an extension request should the project not commence by August 9, 2026. There is however always a risk of delays in obtaining other approvals and permits for the project. This risk can be mitigated by planning in advance and understanding the application requirements and processing times. Third party utilities will also likely require environmental approvals, however, this is outside of Yancoal's influence.
- Land access: Yancoal has secured the land for the first phase of surface infrastructure, however additional land will need to be accessed as mining progresses. Land acquisition will therefore be ongoing and could pose some risk.
- Effect of BHP's Jansen project and its planned expansion on the world potash markets.
- Potash has been designated as a critical mineral in The Canadian Critical Minerals Strategy. Canada has required some foreign investors to divest some investments in other critical minerals.

2.14.2 Project Opportunities

The following opportunities have been identified for the Southey Project:

- There is time before the extension to the Ministerial Decision expires in August 2026 to develop a plan and work with the provincial government to move the development forward.
- Modular valve house designs manufactured off-site could streamline eventual construction.
- Addition of circuits to produce product tailored to reach a small but lucrative market for white potash products in North America.
- Switch to 3 stage crystallizer to reduce capital but with increased operating cost and reduced operating efficiencies.
- In light of the carbon tax revisit the trade-offs to improve the balance between electrical power and gas consumption.
- Currency exchange rates have fluctuated since the 2016 estimate, a weaker CNY would cost the project less in C$.
- Consider the economic trade-off or purchasing railcars versus rentals.
- Elimination of the carbon tax following a change in Federal Government in any future national election.

3.0 Muga Project and Other Spanish Properties

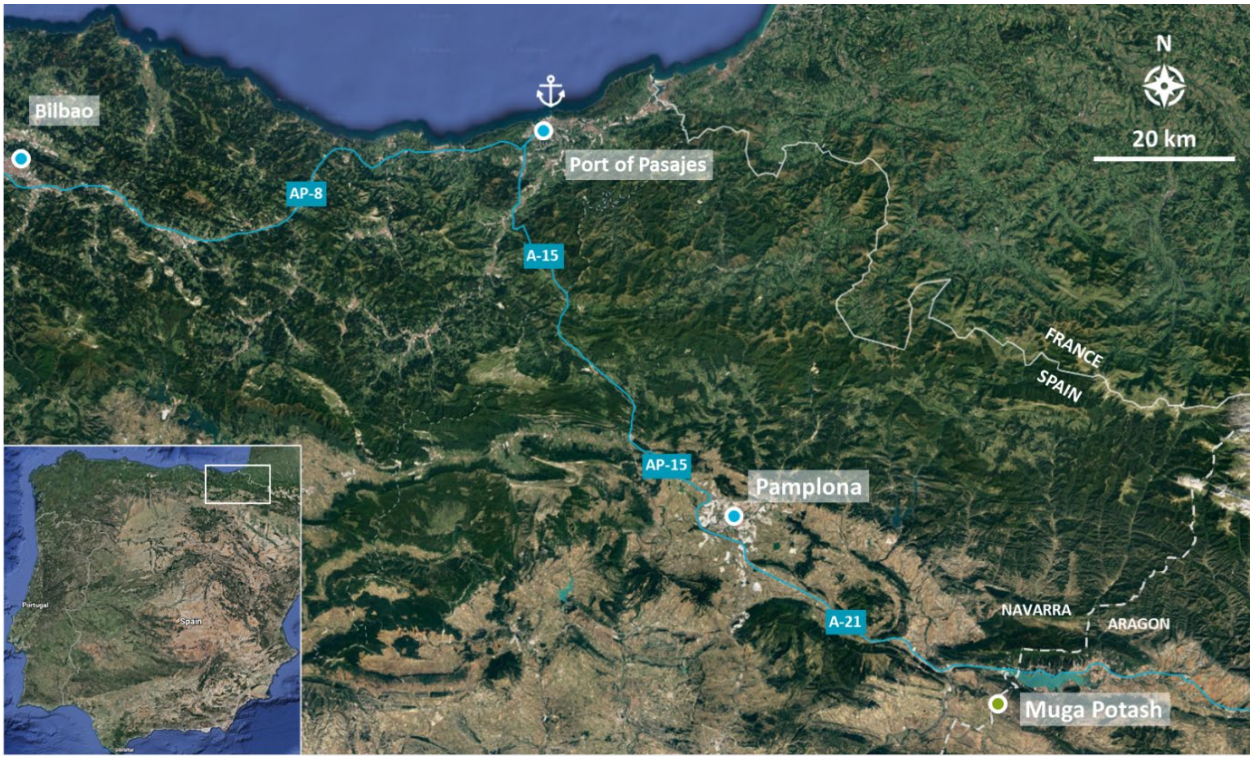
3.1 Muga-Vipasca Potash Project

3.1.1 Property Location, Access, and Infrastructure

The Muga Project is a greenfield, advanced development stage mining project being actively progressed by Spanish company Geoalcali. Geoalcali is a wholly owned subsidiary of KCL Resources Limited (KCL), a private company based in Australia. Following acquisition of KCL in 2012, ASX-listed HFR owns 100% of Geoalcali and Muga.

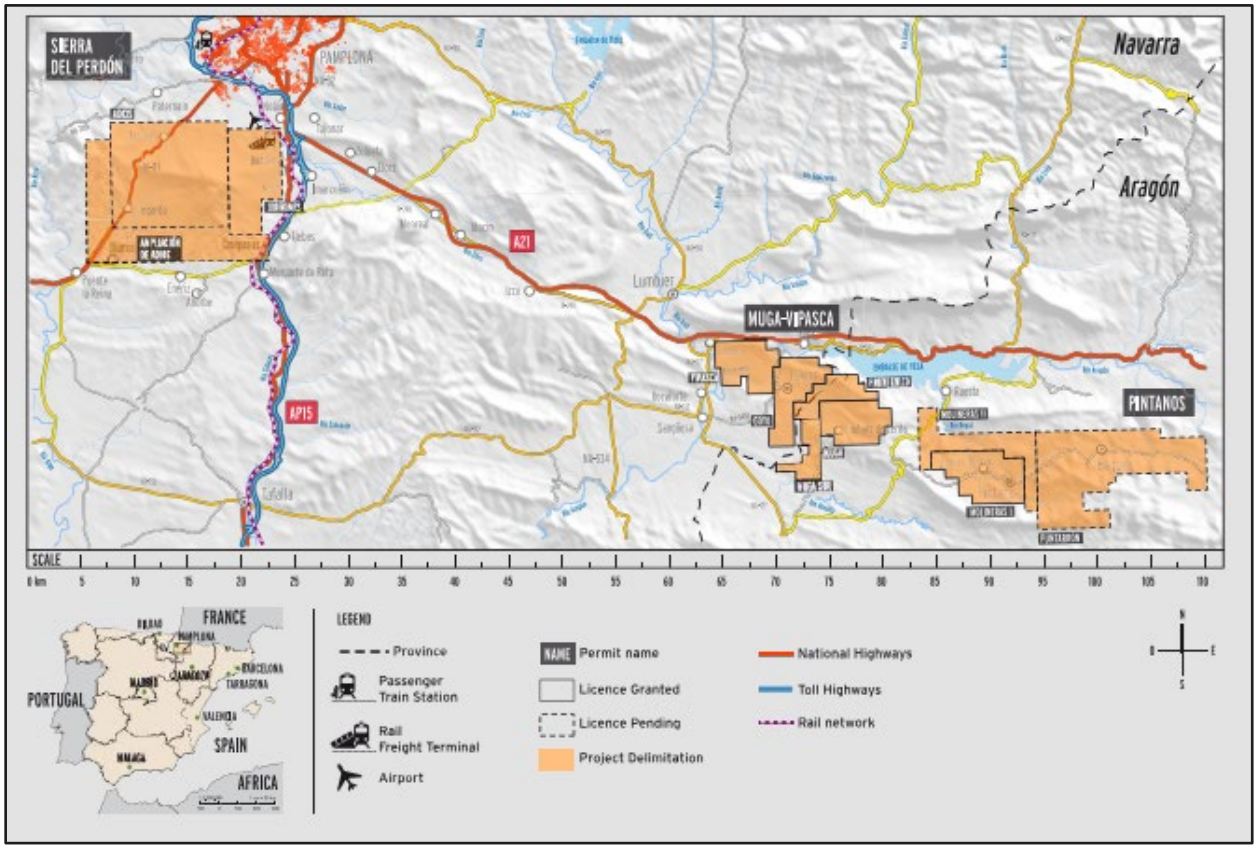
Regionally, the Muga Project is located approximately 150 km from the Port of Pasajes and 230 km from the Port of Bilbao, both on Spain's northern coast in the Bay of Biscay (Figure 3-1). The Project is approximately 50 km to the southeast of the regional capital of Pamplona and falls within the communities of Sangüesa and Javier (Navarra Province) and Undués de Lerda and Urriés (Aragón Province).

Figure 3-1: Muga Potash Project Location Map



The Project comprises three adjacent licence areas, namely Goyo, Fronterizo, and Muga, which straddle the borders of the Navarra and Aragon provinces of northern Spain and comprise an area of approximately 75 km2 (Figure 3-2).

Figure 3-2: Muga-Vipasca Potash Licences and the Sierra del Perdón and Pintanos Projects Licence Areas

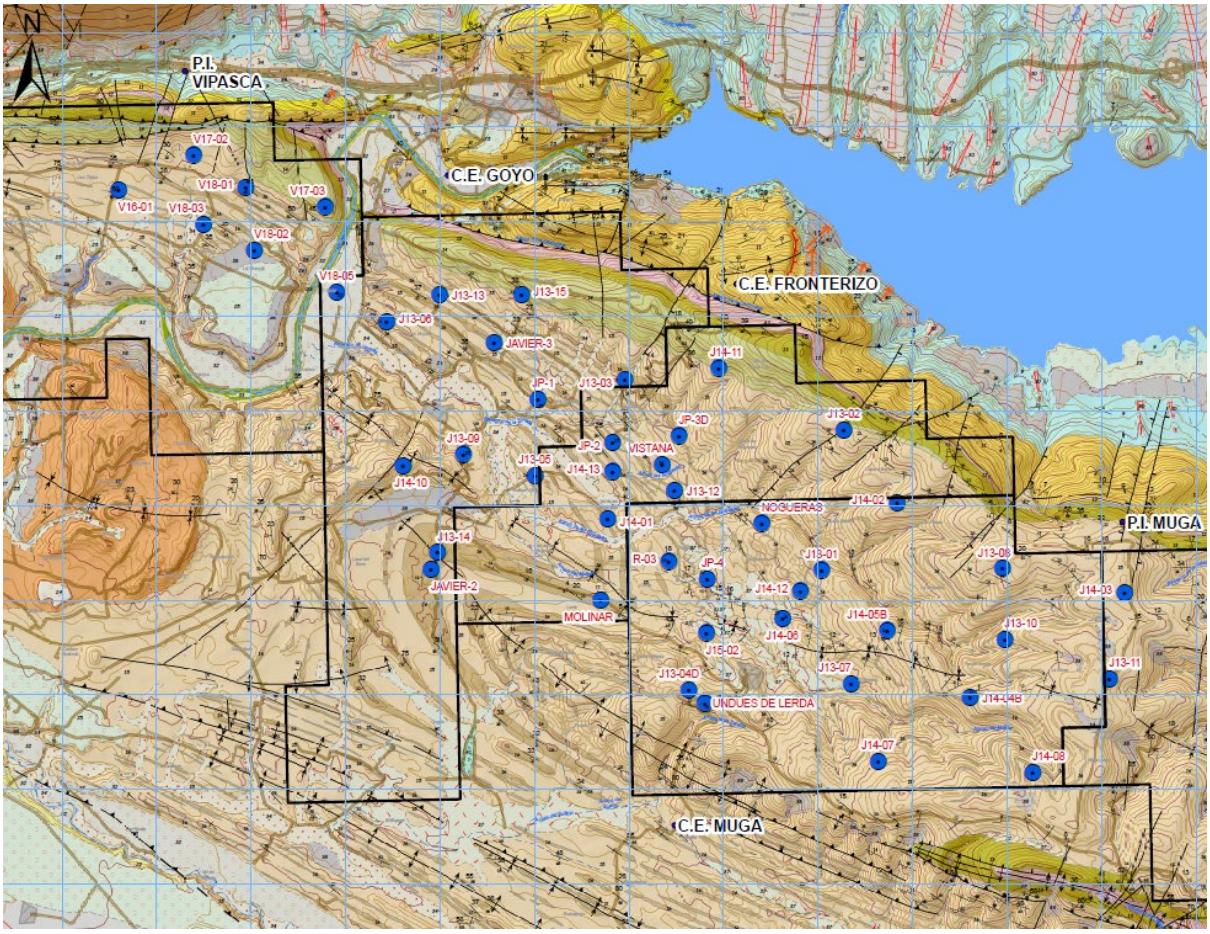


3.1.2 Tenure Status

The Muga Project comprises the following mining concessions (CE): CE Muga, CE Fronterizo, and CE Goyo. In July 2021, HFR announced that the mining concessions for the Muga Project had been approved (*ASX Release 5 July 2021 – Muga Project Receives Mining Concession*). SLR has not independently verified the permitting status, legal status, nor ownership of the Muga Project area or underlying agreements.

The CE Muga is shown in Figure 3-3. The adjacent extensions are covered by investigation permits (PI), Vipasca and Muga. A mining concession lasts for a period of 30 years and can be renewed for subsequent 30-year periods to a maximum of 90 years. Investigation permits last for 3 years and can be renewed for subsequent 3-year periods. A mining concession has been applied for on the Vipasca PI area which has not yet been approved and it is unclear to SLR whether the extension to the PI at Muga has been granted and when it expired.

Figure 3-3: Claim Map for C.E. Muga, Goyo and Fronterizo



3.1.3 Geology and Mineralization

3.1.3.1 Regional Geology

The Project is located within the Southwestern Pyrenean Zone, part of the wider Pyrenean Range, which formed during collision tectonics during the Upper Cretaceous into the Miocene epochs. This period of compression and thrust faulting served to compartmentalise the existing sedimentary basin thereby creating several smaller, east-west orientated sub-basins. During this time, basin sedimentation was characterized by marine sediments and turbidite deposits, transitioning into shallower deltaic deposits over time. Final marine sedimentation comprised evaporite and potash sequences, with sub-basins becoming increasingly isolated. These formations are overlain by continental fluvial and alluvial deposits.

The regional Pyrenean thrust has been interpreted to have deformed the final basin creating an overall synclinal structure.

3.1.3.2 Local and Property Geology

The Project exists within the Navarra and Aragon province sub-basins of the more regional Jaca–Pamplona basin. The deposits comprise alternating claystone and evaporitic deposits (mostly anhydrite, halite, and sylvite) which overlie deeper marine deposits. As the sub-basin became increasingly isolated, deposits of marls, gypsum, halite, and potassium-bearing

minerals prevailed. Potassium mineralization typically occurs as sulphates, progressing into sylvite (potassium chloride – KCl) then carnallite (hydrated potassium magnesium chloride – $KMgCl_3 \cdot 6(H_2O)$). Sylvite is widely regarded as the primary economic source of potash due to its higher grade and less complex processing requirements in comparison to carnallite. The mineralogy of the deposit is described as predominantly sylvite with some sparse carnallite in localized areas.

Late-stage tectonism is understood to have created anticlines, synclines, and overturned beds.

The deposit can be divided into three areas which have been broadly defined by the licence/permit areas within which they fall, namely Vipasca in the northwest, Muga in the centre, and Pintanos in the far southeast: the latter being beyond the current area of investigation.

The potash seams of the Muga-Vipasca deposit have been intersected at between approximately 200 m and 1,400 m below surface, and generally between 300 m and 600 m in the central portion of the basin. Overall, potash seams within the Muga-Vipasca deposit dip to the southwest and increasingly so in the Vipasca area where seams also show more complexity becoming thinner and lower-grade. Seam dips range from approximately 10° in the southeast of the deposit and up to almost 40° in the west and northwest.

There are a total of seven potash seams which exist within three major potash intervals. Potash mineralization is generally described according to two main textures observed in core, namely brecciated and banded (or a mixture of the two). Brief descriptions of each seam are presented below.

- **Upper Potash Interval:** occurring across most of the deposit (more so in the central and east) and consisting of three potash seams (P0, PA, and PB) separated by one- to two-metre thick (although sometimes as thin as 0.1 m) halite layers. Seams generally have high insoluble (comprising predominantly clays, with gypsum and sulphates) and magnesium oxide (MgO) contents.
    - **P0**: split from PA by three- to five-metre-thick low-grade potash. The seam thickness averages two metres, but the seam has irregular mineralization and generally lower grades and high insolubles. Some carnallite is observed mostly in the northeast of the deposit. It is generally seen to be brecciated in texture.
    - **PA**: split from PB by approximately 1.5 m of halite but is sometimes contiguous. The seam averages 1.5 m in thickness and has higher insolubles and MgO content from untransformed carnallite. Typically brecciated in texture.
    - **PB**: averaging 2.5 m thick with typically higher grades and lower insoluble contents. Typically brecciated in texture.
- **Middle Potash Interval:** only occurring in the west of the deposit as a continuous potash interval referred to as the P1 seam varying from 1.2 m to 10 m thick averaging 11% K_2O with low insoluble and MgO contents characteristic of sylvite mineralization. P1 is predominantly seen to be banded in texture.
- **Lower Potash Interval:** mainly occurring in the west of the deposit and comprising the P2 potash seam varying from 1.5 m to 17 m thick averaging approximately 13% K_2O. P2 is typically banded in texture.
- **Other:** Below the Lower Potash exist the P3 and P4 seams although these are of lower priority due to their observed thickness, K_2O grades, and lateral extent, all of which contribute to a decreased potential for economic extraction. No Mineral Resources have

been defined for P3, and P4 only contributes a relatively small tonnage of Inferred Resources to the overall estimate.

SLR Comment

- Overall regional and local geological setting and the controls on mineralization are well known, with the potash deposits hosted in sub-basins formed during collision tectonics. The formation of the deposit has been influenced by faulting occurring during and/or after potash formation.
- Mineralogy is predominantly sylvite, a high-grade and economically significant potassium mineral. SLR recommends that future pre-production drilling is used to develop a more detailed understanding of any other potassium minerals, such as carnallite, in the deposit to inform mining and mineral processing.
- The Vipasca extension of the deposit in the northwest is known to be more geologically complex with potash seams showing more variability in thickness and grade. This area is not included in the current LOM plan.

3.1.4 Drilling, Sampling, Assaying, and Data Verification

3.1.4.1 Exploration History

Extensive exploration was carried out across the Muga Project area, originally by Potasas de Subiza, S.A. (POSUSA) through 1970 and later by E.N. Adaro in the late 1980s and early 1990s. E.N. Adaro, a state-owned group with great experience in exploration and development of Spain's mineral resources, produced detailed reports and ore reserve studies of the Muga-Vipasca and Pintanos areas. In Muga-Vipasca, a total of 11 historical boreholes were drilled in the 1970s and in early 1980s, including six initial holes followed by five from the Javier-Pintanos (JP) campaign (including a daughter hole from JP-3).

Two-dimensional (2D) seismic surveys comprising 16 survey lines for 87 km were undertaken in the late 1980s, and boreholes were generally positioned to fall on these lines. 2D seismic lines were re-interpreted in 2013. The resolution was found to be insufficient (approximately 20 m at the salt/potash level) to allow interpretation of the potash structure or enable the correlation of fault structures. The surveys confirmed deep seated faulting below the salt level, and minor faulting within the salt itself, although it could not be correlated. The main feature identified is a fault-controlled structural high between the Muga and Los Pintanos areas (an area around boreholes J14-08, J13-11, and J14-03 in the southeast of the deposit).

Between 2013 and 2019, Geoalcali completed 36 boreholes across the Muga-Vipasca licences, which led to closer spacing in the central portion of the deposit, typically between 300 m and 500 m around J14-13. Beyond this central area, spacings are generally 700 m to 1,000 m, although wider spacings above 1,200 m do occur between specific pairs of boreholes. Drilling, Sampling, and Assaying

Historical drilling provided 570 analytical results that SLR understands were obtained by cutting grooves/channels into core, with sample intervals varying from 0.3 m (consistently in 1990 drilling) to 2.4 m (more variable with no thickness limit for pre-1987 drilling). Analytical results include KCl, $MgCl_2$, NaCl, insolubles, and clay. No results are available from any boreholes drilled before 1980. Analytical methods for all historical samples are unknown.

Results from Javier-3, Vistana, and Nogueras were available in a historical report but only include KCl. These boreholes were re-sampled and re-analyzed in 2012 to help validate

historical results. The 2012 re-analysis results indicated that 87% of the historical results from the three drill holes that were subject to re-sampling overestimated grade in comparison to the re-sampled core. No adjustments have been made to historical data to account for differences, which are reported to average 3.7% K_2O. These 2012 results are not available to Geoalcali; therefore, no detailed review of the analysis has been possible.

Core drilling was undertaken by Geoalcali between 2013 and 2019, comprising 36 diamond boreholes across the deposit, supported by downhole geophysical logging for gamma in 24 holes (18 through potash). The drill hole database used for geological modelling comprises 46 boreholes. Boreholes were cored from surface and salt drilled during saturated muds to prevent dissolution. Core recovery is generally better than 95%.

Core was orientated based on the observable dip of beds and cut longitudinally, with samples taken from the same side of the core in each borehole. Core of PQ (85 mm) diameter was halved then quartered for laboratory analysis, with the remaining three-quarters retained for reference or subsequent analysis. Core of smaller HQ (63.5 mm) diameter was instead halved for sampling to provide sufficient material for analysis and to maintain sample representativeness. Half-core samples were later adopted regardless of core diameters. Samples were taken at 0.3 m intervals, with each being bagged and tagged for transport to the laboratory. All sample preparation was undertaken by ALS Spain. Analysis included inductively coupled plasma optical emission spectrometry (ICP-OES) and X-ray fluorescence (XRF), undertaken by ALS in Spain and Ireland. Analysis was principally for potassium (K), magnesium (Mg), sodium (Na), calcium oxide (CaO), and calcium sulphate ($CaSO_4$).

Density measurements were taken from 97 core samples (by water displacement/Archimedes method) from the 2013-2019 drilling.

SLR Comment

- Based on the geological setting and seismic survey data, SLR is of the opinion that there is potential for unknown faulting or geological complexity within the potash seams. SLR expects that small-scale faulting may only be manageable during operations and HFR plans to undertake infill and pre-production drilling as underground access and development progresses to better understand the local scale structural geology.
- Overall, SLR considers the drilling, logging, sampling of the Geoalcali exploration (2013-2019) to be appropriate for the delineation and characterization of the potash seams across the deposit. It has produced representative samples which support the highest confidence of resource classification.
- Historical drill hole data is less reliable and comprehensive which introduces model uncertainty in terms of potash grade and thickness. This has contributed to SLR's opinion that there are areas of the Mineral Resource that may warrant a more conservative classification.
- SLR was able to confirm the provenance of the Geoalcali exploration data, the potash intervals, borehole locations and the procedures used on site for collection and storage of geological data, based on the 2023 FS Update and SLR's previous due diligence conducted on the Mineral Resource in 2021 when a site visit to the property was completed.

3.1.5 Mineral Resources and Ore Reserves

3.1.5.1 Mineral Resources

The current Mineral Resource was estimated in 2020 by Geoalcali in collaboration with SRK Consulting UK Ltd (SRK) based on the drilling data available as of March 2020. SRK audited the Mineral Resources and takes responsibility for the methodology and reported statement.

Geological modelling has been undertaken using Datamine software, specifically the Strat3D and StudioRM packages, creating a block model with variable block heights to account for the stratigraphic nature of the deposit. The model comprises the seven main potash seams (P0, PA, PB, P1, P2, P3, and P4) and interlayers of salt. The potash seams are defined by selecting composites of sufficient grade and thickness to represent a reasonable mining horizon, with a minimum thickness of 1.5 m and >12% K_2O (although an 8% K_2O cut-off grade was used for Mineral Resource estimation). Lower grade potash units adjacent to the roof (Upper) and floor (Lower) of the main target interval were also interpreted and used to inform dilution.

Thickness modelling was undertaken by Inverse Distance to a power of 3 (ID3) with 25 m x 25 m block sizes and using an anisotropic search orientated to the basin axis. Seam dips are accounted for in the modelling process through the calculation of true seam thickness for each block. Grades were interpolated by Ordinary Kriging (OK) using a 250 m x 250 m grid size using a minimum of X composites and a maximum of Y.

The average densities assigned to the potash units were informed by drill hole samples except in the case of the PA seam, for which a regression with MgO was used as the basis for a variable density.

A cut-off grade of 8% K_2O and a minimum thickness of 1.5 m was used to define the Mineral Resources. In instances where a potential target seam narrowly fails the minimum seam thickness cut-off, a diluted grade was also re-calculated into the block model by increasing the seam thickness to 1.5 m assuming contamination with 0% K_2O material. This process was used to determine if thinner target seams still had potential to be considered economic. Where the diluted grade satisfied the cut-off, the seam block has been included in the MRE.

A second cut-off variable was used for the Upper Potash Interval to define areas where the PA seam was deemed too thin to be mined alone, but where it may be considered for extraction when mined together with P0 (above) and PB (below). This evaluation was not undertaken for the MRE and was only considered as part of the Ore Reserve estimate, i.e., the seams effectively represent dilution material with elevated K_2O grades.

The following definitions were defined by SRK based on the geological understanding of the deposit and used to classify the Mineral Resources:

- **Measured**: drill spacing <1,000 m and extended up to 800 m beyond the last drill hole.
- **Indicated**: drill spacing <1,300 m and extended up to 800 m beyond the last drill hole. For Vipasca, due to increased geological complexity, Indicated is based on <1,100 m spacing.
- **Inferred**: extrapolation of up to 1,000 m beyond the last drill hole, limited by fault boundaries, or where there is a single intersection of a seam.

Of the total Measured and Indicated Resources, seams P0 (19%), PB (24%), and P1 (26%) make up most of the tonnage.

Resource Summary

Standards defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) were used for Mineral Resource classification. Table 3-1 provides the statement of Mineral Resources as of August 2020.

HFR considers this resource estimate to remain current as of December 31, 2023.

Table 3-1: Summary of Mineral Resources – August 2020

Category	Tonnage (000 t)	%K_2O	%MgO	%Na_2O	% Insolubles
Measured	103,190	12.3	0.3	26.8	
Indicated	134,140	11.7	0.5	27.9	20.9
Total Measured + Indicated	**237,330**	**12.0**	**0.4**	**27.5**	**19.8**
Inferred	44,930	10.8	0.1	28.8	22.3

Source: SRK 2020

Notes:

1. Definitions in the JORC Code were followed for Mineral Resources. The Competent Person for the Mineral Resource Statement was Anna Fardell, an employee of SRK at the time of the reported estimate.
2. Mineral Resources are estimated at a cut-off grade of 8% K_2O. An economic cut-off of 4% K_2O was calculated (but not used) using a MOP price of US$313/t using data factored from the DFS.
3. Mineral Resources are those between 180 m and 1,400 m below surface.
4. A minimum mining width of 1.5 m was used for potash seams to be mined separately and 4.0 m when mined collectively.
5. Bulk density is variable per potash seam averaging 2.1 t/m^3.
6. Mineral Resources are inclusive of Ore Reserves.
7. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
8. Numbers may not add due to rounding.

SLR Comment

- SLR considers the approach to estimation and classification of the Mineral Resources to be reasonable although there are areas of the deposit where a more conservative classification approach may be warranted and should be reviewed in any MRE updates.
- SLR is of the opinion that while some of these areas coincide with the later stages of the LOM plan, the impact of a conservative adjustment to classifications on the global Mineral Resource is unlikely to result in a material reduction in Mineral Resources or Ore Reserves.

3.1.5.2 Ore Reserves

Ore Reserves Summary

The most up to date Ore Reserve estimate, with a date of October 31, 2021, comprises Proved Reserves of 45.3 Mt at 10.5% K_2O and Probable Reserve of 59.0 Mt at 10.0% K_2O, for a total of 104.3 Mt at 10.2% K_2O. The Ore Reserve is presented in terms of plant feed and includes mining losses and dilution incurred during mining.

The Ore Reserves were estimated based on a mine plan prepared by IGAN Consultores and audited and adopted by SRK. The Ore Reserve estimate has been derived from the reported Measured and Indicated Mineral Resources of 237.3 Mt at 12.0% K_2O shown in Table 3-1 and are in accordance with the terminology and guidelines of the 2012 JORC Code.

Appropriate modifying factors including mining losses and dilution incurred during mining have been applied in the conversion of Mineral Resources to Ore Reserves

HFR considers the Ore Reserve estimate to remain current as of December 31, 2023.

Table 3-2: Summary of Ore Reserves as of October 31, 2021

Category	Tonnage (Mt)	K_2O (%)	MgO (%)	KCl (%)
Proved	45.3	10.5%	0.3%	16.6%
Probable	59.0	10.0%	0.6%	15.8%
Proved + Probable	**104.3**	**10.2%**	**0.5%**	**16.1%**

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals, and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material.
2. The concession is wholly owned by, and exploration is operated by Geoalcali, the wholly owned Spanish subsidiary of HFR.
3. The standard adopted in respect of the reporting of Ore Reserves for the Muga Project, following the completion of required technical studies, is the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012).
4. SRK reasonably expects the Muga deposit to be amenable to a variety of underground mining methods for the shallow and inclined potash seams. Ore Reserves are reported at an 8% K_20 cut-off, which is based on potash price assumptions, metallurgical recovery assumptions from initial test work, mining costs, processing costs, general and administrative (G&A) costs, and other factors.
5. SRK notes that the Ore Reserve Tonnes are reported as wet tonnes with a low moisture content of 0.8%.

The mine plan prepared by IGAN that underpins the reserve estimate takes cognisance of the geotechnical recommendations of SRK's 2017 geotechnical studies and accounts for any limitations imposed by the granted *Declaración de Impacto Ambiental* (DIA), such as protection pillars around towns and other sensitive surface structures and features.

A cut-off grade of 8% K_2O (or 7.6% K_2O in minor selective areas) has been applied to determine the Ore Reserves.

A process recovery of 95% was used, which is supported by test work on material greater than 8% K_2O content in feed. Below 8%, test work has shown that the process recoveries decrease.

Dilution has been applied in estimating Ore Reserves. In the production developments and panels, the seams are constrained by a minimum mining height of 2.0 m based upon the dimensions and capabilities of the proposed mining equipment.

In the P0AB horizon, the planned mining width has been determined by an overall composited cut-off grade of 8% K_2O inclusive of roof, floor, and parting waste dilution and a minimum mining height of 2.0 m. The dilution in this horizon has been estimated directly from the Mineral Resource model by evaluating individual development shapes for each heading.

An overall extraction ratio of approximately 37% has been estimated for the P0AB horizon. In SLR's opinion, this ratio appears reasonable for the mining method, seam depth, and geometry and compares with other potash mining operations.

In the more steeply dipping areas of Seams P1 and P2, less design detail has been applied. These seams have been split into generalized mining blocks of varying size which have been used to obtain an estimation of diluted tonnes and grade periodic variation within the LOM plan. Salt dilution will occur in the top and opposite bottom corners of the development and production rooms headings. IGAN has converted this to an equivalent average of 150 mm of salt dilution in both the roof and the floor. More detailed panel design will be undertaken once new geotechnical data has been acquired underground. SLR considers this to be a reasonable approach for Ore Reserve estimation purposes and mine planning at this stage.

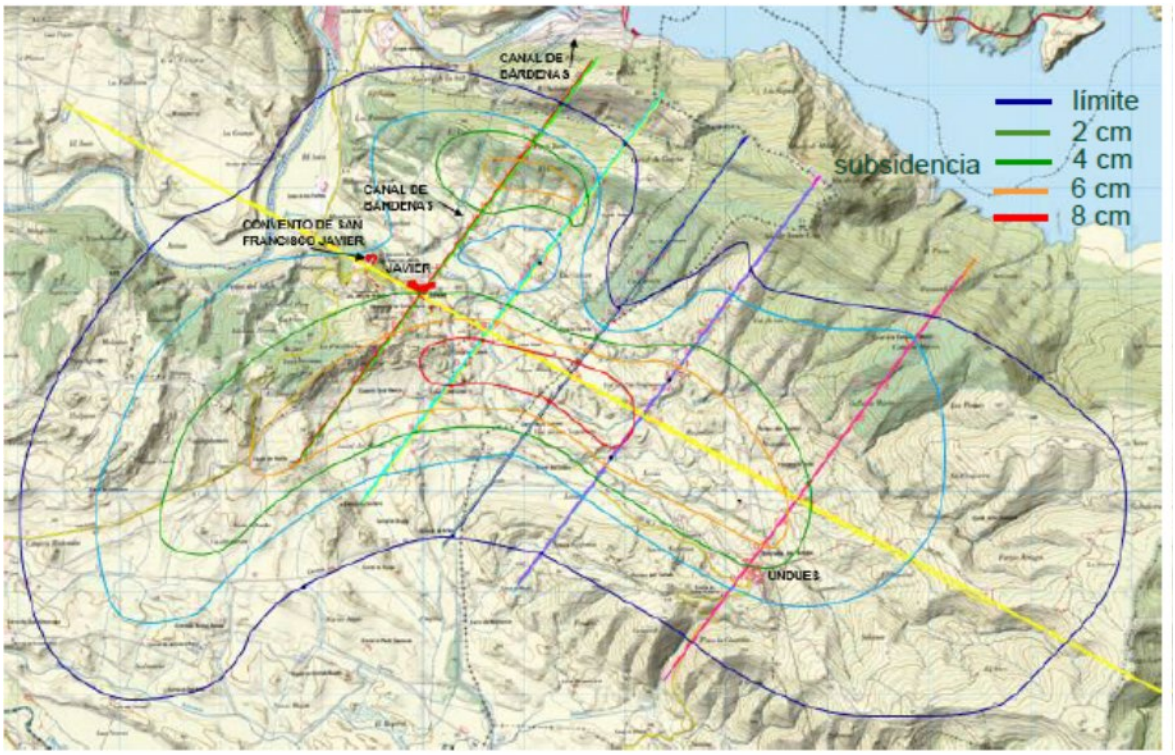
SLR is not aware of any new information or changes to the mine design since 2021 that would materially affect the Ore Reserve estimate and considers it current as of the date of writing.

3.1.6 Mining

3.1.6.1 Geotechnical

The geological structure in the Muga Project area is characterized by a wide syncline located between the towns of Javier and Undués de Lerda. The syncline has a WNW-ESE trend, limited to the North by a reverse fault known as the Loiti fault (locally known as the Cardonera fault), and by a narrow anticline to the south, known as the La Magdalena anticline. In general, the deposit dips towards the northwest, meaning that the potash horizon increases in depth in this direction.

Figure 3-4: Subsidence Isoclines in the Area of Influence of the Mine



There have been several campaigns of geotechnical investigations and studies undertaken for the Muga Project over an approximate five year period. The available data includes data from geological and geotechnical logging of exploration and geotechnical holes and geotechnical

testwork carried out at several independent laboratories. The database of geotechnical data provides the basis for the design basis of the declines, panels, pillars and rooms used in the mine design.

The mine design parameters for the size of mining panels, pillars, and rooms are based on a geotechnical study undertaken by SRK at the end of 2017.

The geotechnical analyses for the flat/shallow-dipping and inclined rooms and pillars was completed by SRK. The average dimensions of panels in the P0, PA, and PB seams will be approximately 500 m long and 250 m wide; for the steeper seams (P1, P2) in the west, the width of the panel will be approximately 200 m. The width of the pillars, both between rooms and between panels, will increase with depth of mining.

For the geotechnical analyses of the flat/shallow-dipping and inclined rooms and pillars, SRK used finite element 2D modelling (Rocscience RS2) as well as 3D finite difference modelling (Itasca FLAC3D) to assess the room and pillar parameters. The inclined seam analysis is understood to have followed the same approach.

SRK considered a standard 5.5 m high seam with a 5 m cut section, which suggests a 0.5 m thick roof. The room widths were 8 m for both flat and inclined seam assessments. The main development twin roadways are a maximum of 8 m wide and 4 m in height. The sill pillar between the seams is set to a minimum of 8 m according to the SRK analyses.

Geotechnical design of the declines has been informed by data acquired from five geotechnical holes, two drilled in the portal area and one, 482 m long hole drilled parallel and at the same inclination as the East decline. In addition, ground tomography was used along the length of the declines to identify any weak rock zones or geological structures that could also contain water. Two holes were drilled to target two zones of apparent weaker ground. The geotechnical data gathered has been used to determine the geomechanical parameters for the different geological units that will be encountered during decline development and to design the support requirements for the declines. SLR considers that the approach taken is appropriate for the ground conditions likely to be encountered.

Subsidence analyses were undertaken in 2020 by Ricardo Laín Huerta, Professor of the Department of Geological and Mining Engineering at the Polytechnic University of Madrid Laín using a finite difference method (Itasca FLAC3D) and a creep constitutive model for the salt horizons based on convergence data from nearby Potasas de Navarra and Potasas de Subiza mines. Inputs for the other materials, including backfill for the mining openings were determined from laboratory testwork results. A hydrostatic stress regime (equal in all directions) was assumed.

The outcomes from the subsidence studies indicate that surface subsidence should be well below those specified in the Environmental Permit (DIA).

The Company intends to produce a base line inventory of all buildings in the area prior to any mining activity.

A grid of subsidence control points at approximately 300 m centres will be progressively installed on surface as the declines are developed and as the mining panels develop away from the bottom of the declines.

The control points will be surveyed annually to monitor any potential subsidence resulting from the mining activities.

3.1.6.2 Hydrogeology

The information provided indicates that the entire sequence is characterized by very low permeability strata that is very unlikely to support appreciable groundwater flow. Only limited site investigations have been undertaken to provide data on aquifer hydraulic properties and given the nature of the strata the development of a numerical groundwater model is problematic.

Groundwater inflow to the mine is likely to be small/negligible and is unlikely to affect mine development either directly though inflows or indirectly due to the impact on near surface water interests.

As a result, groundwater inflow into the mine is unlikely to be an issue and will not provide a reliable and sufficient source of process water and so the mine water supply will be reliant on water resources drawn from the nearby reservoir and associated water supply canal.

3.1.6.3 Mine Access

The underground mine will be accessed via two parallel declines driven at an average gradient of -15% from a single boxcut portal at surface. The declines will be 2,600 m in length and will be driven 25 m apart to a vertical depth of 350 m below surface (mbs). The West decline will provide the intake ventilation airway for the mine, with the East decline being the main return airway to surface.

On completion, a conveyor will be installed in the East decline (main return) to transport ROM material to the surface and a conveyor to transport backfill material back underground will be installed in the West decline (main intake), which will also provide entry for equipment, personnel, auxiliary services and the mine supplies.

Both declines will daylight at a combined portal cutting placed close to the process plant. As of the date of writing, the excavation of the portal box cut has been largely completed.

The decline profile will be a typical “horseshoe” with finished dimensions of approximately 6.6 m wide and 4.7 m high, giving an internal cross-sectional area of approximately 31 m^2. The declines will be linked with four crosscuts and will be widened at the cross-cut intersections and at various other points to accommodate installations such as pumping stations and mine electrical facilities.

The decline bottom area has been located to avoid sterilizing any potash rich zones. The potash in this area will remain in-situ until the end of the mine life.

The two declines will be supported primarily by sprayed concrete and rockbolts. Based on the geotechnical evaluation, five types of support have been designed, using Rock Mass Rating (RMR) values, with the number of rockbolts and the thickness of shotcrete increasing with decreasing RMR value. During the decline construction, “convergence stations” will be installed at regular intervals to monitor the rate of convergence (ground movement) in the declines.

The development of the declines will be carried out under the cover of advance drilling from drilling cubbies excavated into the side of the West decline. The decline drilling programme will provide geotechnical information to define the support ahead of the decline faces. It will also give information about potential water inflow to the declines as they are advanced. An overlap of 25 m to 30 m between drill hole covers will be maintained to avoid the excavations entering ground for which there is no existing geological and geotechnical data.

The Company has selected and placed a contract with EPOS-Tunelan (a joint venture) to complete construction of the two declines. Both declines will be excavated using trackless mobile equipment. Roadheaders and/or conventional excavators in combination with twin-boom

jumbos will be utilized for excavation, face drilling, and rockbolting, while 30-tonne low profile mining haul trucks and 14-tonne load-haul-dump (LHD) loaders will be used to transport material to surface.

Figure 3-5 illustrates the location of the declines and underground mine layout.

Figure 3-5: Location of Declines and Underground Mine Layout

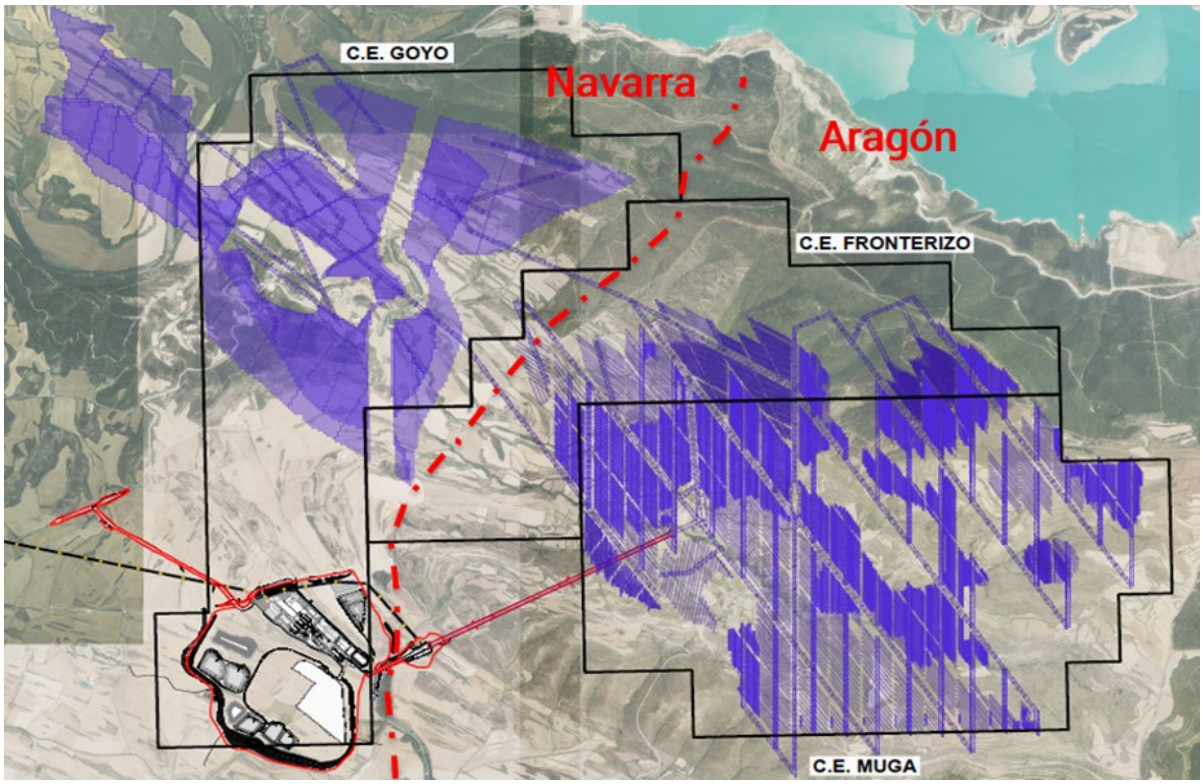
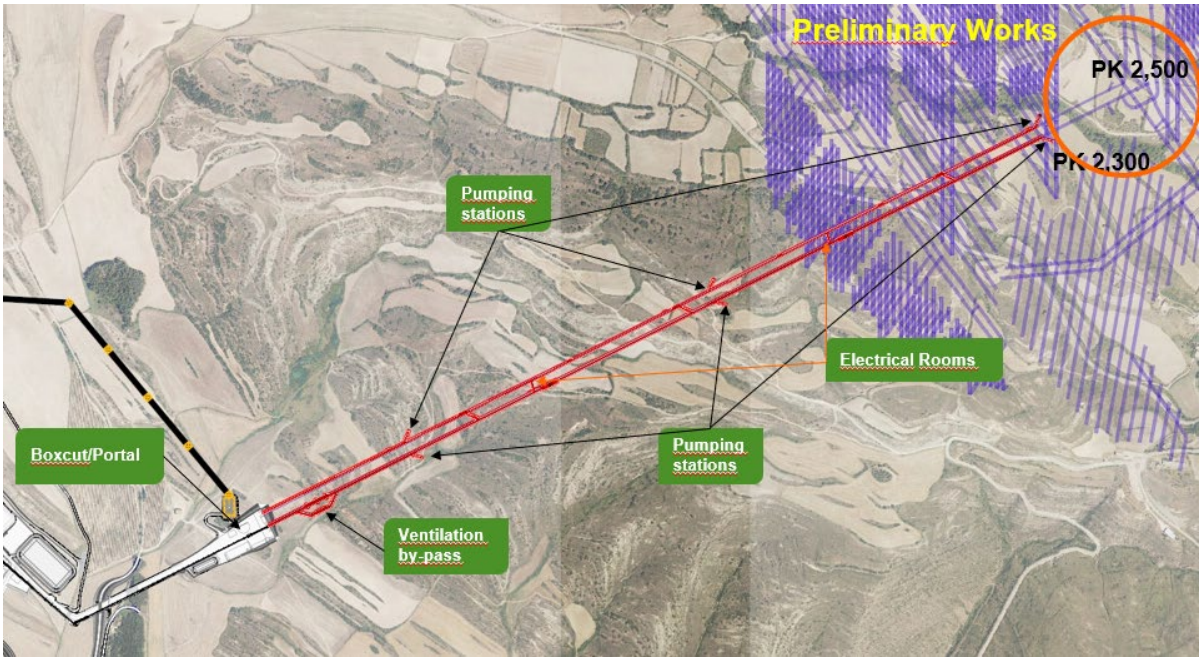


Figure 3-6: Location and detail of Declines



As of the date of writing, HFR has largely completed the excavation of the boxcut, which has been excavated with a 1H:1V slope on the sides and a slope of 1H:0.84V at the headwall, where the declines daylight. The excavation sidewalls are supported by mesh reinforced shotcrete.

For the initial breakaway and first 30 m of the declines, additional ground support in the form of an umbrella of micro-piles will be installed above the crown of the declines combined with lattice arches and shotcrete for permanent support.

Figure 3-7 shows the excavated boxcut and the projected alignment of the two declines (West in blue, East in red).

Figure 3-7: Current Status of the Surface Boxcut

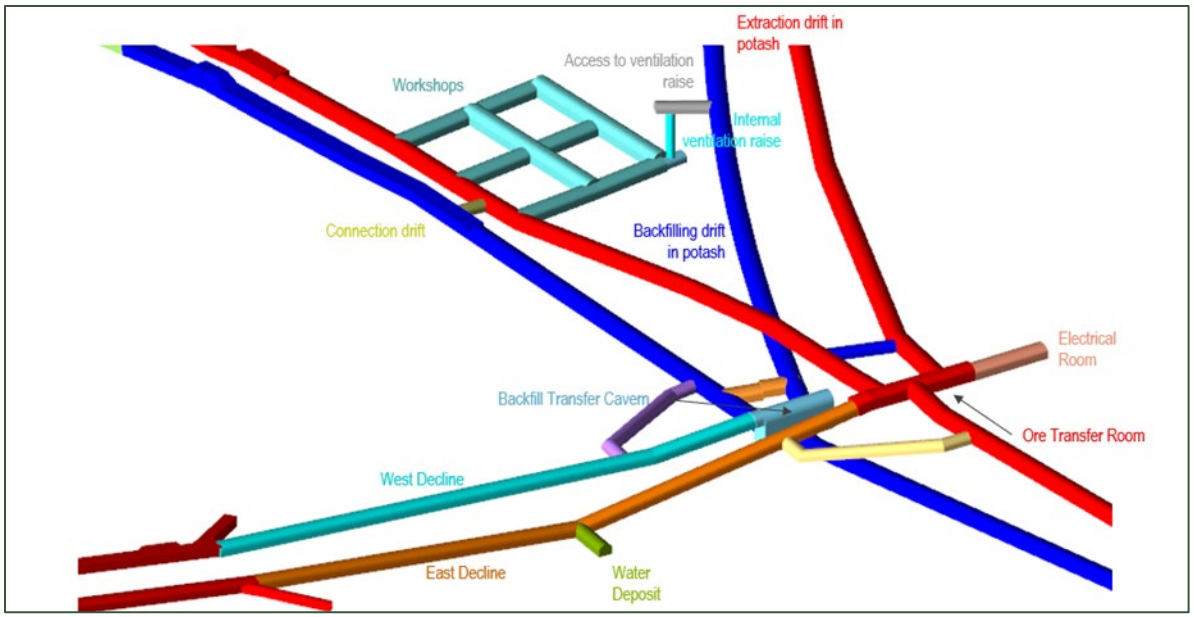
3.1.6.4 Mine Infrastructure

From the bottom of the declines, main galleries will be developed to the three mining areas, West, North, and East.

An underground workshop will be constructed off the western development. A pumping station will be established at the bottom of the East decline, together with the main underground electrical substation that will distribute electrical power to the working areas. The main electrical sub station is situated at a higher elevation above the main sump. Ore will be transported to the decline bottom from the various working districts using trunk conveyor belts where it will be transferred onto the main surface drift conveyors installed in the East decline.

Figure 3-8 illustrates the key infrastructure at the bottom of the declines.

Figure 3-8: Layout of Infrastructure at Bottom of Declines



It is normal practice in potash (and salt) mining operations to never remove equipment to the surface due to the corrosion that occurs immediately on exposure to the normal climatic conditions at surface. The underground mining fleet will thus require regular routine servicing and overhaul underground. Workshop facilities will be provided close to the bottom of the West decline.

Water collected from the underground operations will be segregated into fresh water and saline water to allow the non-saline water to be used in the process plant and other areas of water consumption for the Muga Project.

A pumping and piping system will be installed in each decline approximately 400 m down from the portal to direct non-saline water to the surface clarifier. Both declines will require dewatering systems to deal with saline water, with collection sumps near the bottom of each decline. From there the water will be pumped to an intermediate station halfway up the decline from where it will be pumped to regulation ponds on surface.

Permanent power supply to the mine operations will be provided via connection to the Spanish national grid at the Iberdrola substation, located in Sangüesa, approximately 8.5 km from the mine site. Prior to the electrical infrastructure being connected to the grid, temporary mobile diesel generator capacity will provide the electrical power to the Muga Project.

The underground mine will be fed from a substation situated next to the portal via a series of three substations in the East decline. The substations will be located close to the head end of each of the three mineral conveyors installed in the decline. The substation (CT4) at the bottom of the East decline will be fed at medium voltage (10 kV) by a feeder cable in each decline, creating a ring main supply.

From the CT4 substation, power will be distributed throughout the mine to local load centres located close to the largest electrical loads in the working areas.

The total underground installed power is estimated to be approximately 33.8 MW and total underground base load demand is estimated to be approximately 15.34 MW, or 157 GWh per annum.

SLR is of the opinion that the underground supply and electrical power reticulation network is suitable for the proposed mining operations and is suitably described regarding the types and locations of the necessary equipment.

During development of the twin declines, the decline headings will be ventilated by an auxiliary fan and ducting system, with the fan(s) most likely situated on surface.

After the decline construction is completed, the main ventilation fan will be installed in the East decline to create the main ventilation system for the mine.

A ventilation study has been completed in line with Spanish regulation using Ventsim software. Total mine airflow requirements have been based upon the installed power of the equipment in a maximum of three working panels. An additional 5 m^3/s has been added to the air quantities required to minimize airflow recirculation.

The airflow required has been estimated for each year of Phase 1 and Phase 2 production. During the first years of operation, the main exhaust ventilation fan will be in the east decline, with the West decline serving as the main fresh air intake. Fresh air will be circulated around the production areas returning via the east decline. This places all mineral conveyances within the return air stream, ensuring dust exhausts out of the mine rather than being circulated through the working areas.

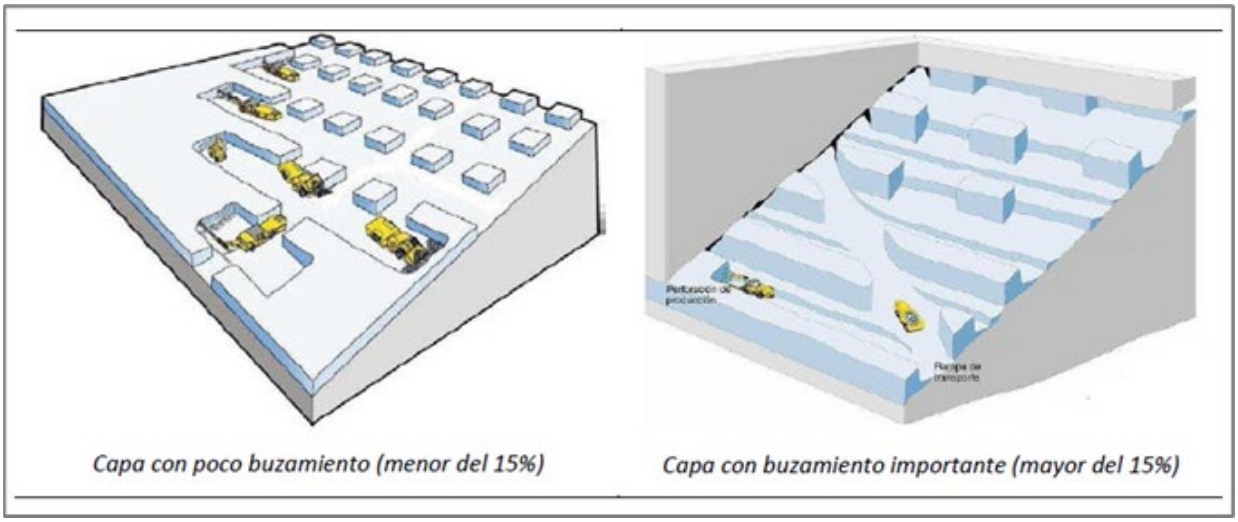
By year 4 of the mine life, to maintain the airflow velocity in the declines below the statutory maximum, a 3.5 m diameter intake ventilation shaft, approximately 865 m deep, will be required in the west mining area. A second exhaust shaft will be needed for the start of Phase 2 and is planned to be situated close to the intake shaft. Maximum airflow is estimated to be approximately 340 m^3/s.

3.1.6.5 Mining Method

The proposed mining method is a typical fully mechanized room and pillar (R&P) methodology using a mix of mobile mechanical cutting equipment including roadheaders and continuous miners with electric shuttle cars to transport the cut ore to the belt conveyor system. Ancillary machinery includes roof bolters for roof support installation, and LHDs to load and dump material to intermediate storage points as needed.

Figure 3-9 shows typical layouts for inclined room and pillar mining.

Figure 3-9: Room and Pillar Mining



The planned room width will be eight metres with the pillar sizes determined by the room height, the total combined seam thickness, the geotechnical constraints due to the depth below surface and any equipment limitations.

The Muga orebody dips to the northwest and ranges from being almost flat in the eastern extent of the ore body with the dip gradually increasing towards the northwest. In the northwestern Vipasca area, the dip is greater than 15% in some areas and the mine layout will have to be adjusted accordingly. In these areas, to minimise dilution and maximise extraction, the standard R&P panel layout used for the shallow dipping seams will be adapted to take account of the geotechnical constraints and the equipment operational limitations.

The panel design and the mining extraction ratio applied consider geotechnical constraints such as the seam thickness, depth below surface and equipment operational limitations.

3.1.6.6 Mine Layout

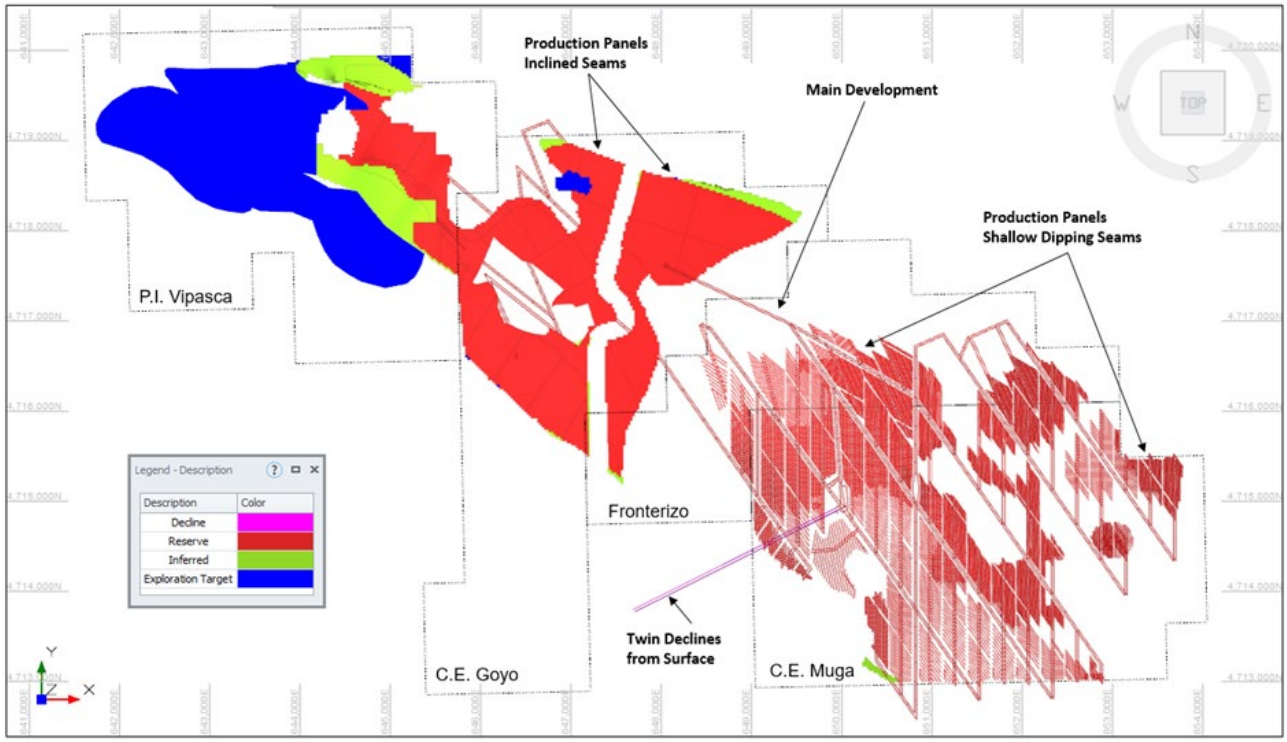
The mine layout has been based upon the geotechnical study carried out by SRK at the end of 2017. SRK's recommendations have been used to size the pillars between panels, establish the floor heights between mining levels, and to size the development pillars based on depth below surface. This in turn has determined the dimensions of the production panels and the barrier pillars between the development and the panels.

Upon accessing the various mining horizons/seams, more geotechnical data will become available from in-situ measurements and observations, at which point stability calculations will be updated.

As described elsewhere, two parallel declines will facilitate ROM material transportation to the surface and the entry of machinery, personnel, backfill waste material and, the supply of auxiliary services. The decline bottom area has been located in such a way as to avoid sterilizing any potentially potash rich zones.

The mine has been split into two distinct mineable zones, each accessed via twin secondary access drives. The East zone is shallower and flat lying and includes the P0, PA and PB seams, which are mined together in most of the area. The West zone comprises the more steeply dipping P1 and P2 seams, which are separated by a thick salt inter-burden layer allowing them to be mined separately.

Figure 3-10: Proposed Mine Layout



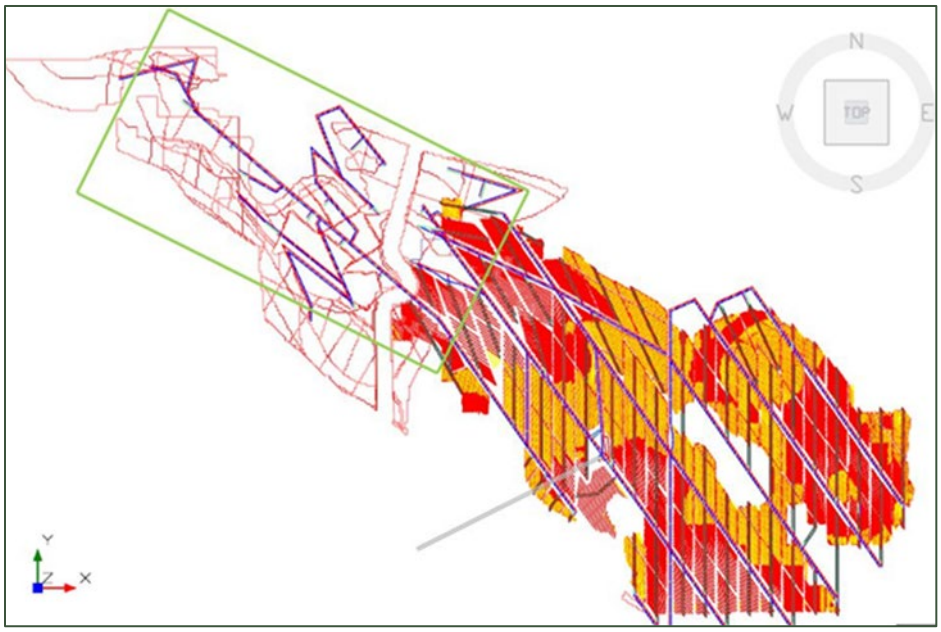
Main development, where practical, will be carried within the potash horizons to minimise salt waste mining and handling. Twin drifts will be developed eight metres wide and four metres high, with similar sized crosscuts every 250 m based upon the shuttle car trailing cable lengths. The production conveyor will be installed in the return airways and the backfill conveyor in the intakes.

The primary and secondary development will be driven by roadheaders with roof bolts on an assumed two metre grid for costing purposes. The width of the pillar between the primary and secondary access development will vary with depth.

As shown in Figure 3-11, the primary development in the P0AB horizon will consist of five approximately equally spaced main drifts orientated northwest-southeast, with lengths of between 2,500 m and 4,200 m. These will be linked to the pit bottom area with three pairs of drifts orientated north-south with lengths ranging from 1,200 m to 4,200 m.

Two primary access drifts will link the East P0AB horizon with the deeper West P1 and P2 seams remaining within these seams at a maximum apparent dip of 1 in 7. Due to DIA constraints, only a single twin drift will be driven through the Bardenas canal pillar.

Figure 3-11: Proposed Main Development Layout



As required by the DIA, roof bolting will be carried out in all development, including all production rooms, to provide greater stability in the backs and avoid detachment of layers. Each panel in the P0AB horizon has been analyzed to identify the best mining section for different seam combinations, taking account of salt inter-burden bands. The panel design is a standard chevron room and pillar layout orientated on apparent dip.

The average dimensions of each panel in the P0AB horizon will be approximately 500 m in length by 250 m wide on either side, although the actual dimensions of each panel vary with seam geometry. Pillar widths between production rooms depend upon seam height and depth which in turn determines the panel extraction ratio. A typical P0AB (east) panel layout is shown in Figure 3-12.

Figure 3-12: Typical Panel Layout -East P0AB Horizon

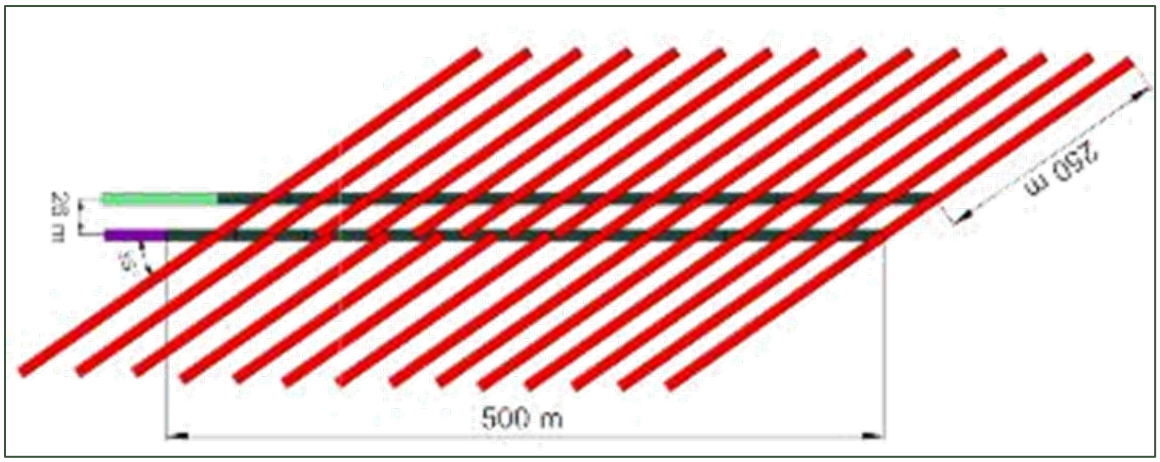
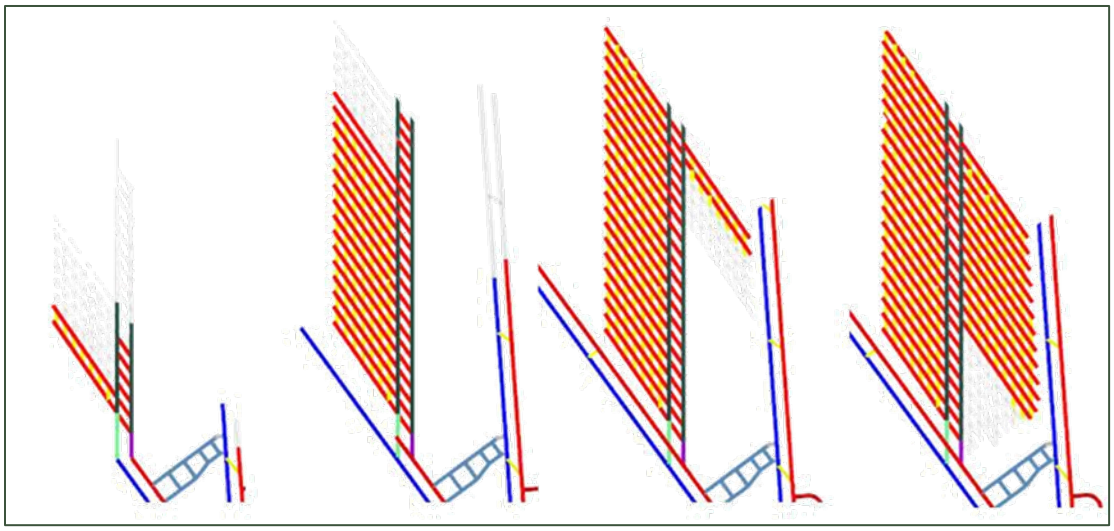


Figure 3-13 shows a typical P0AB panel mining sequence, starting here on the left, advancing to the far end of the panel, and then returning to the primary development on the right side of the panel.

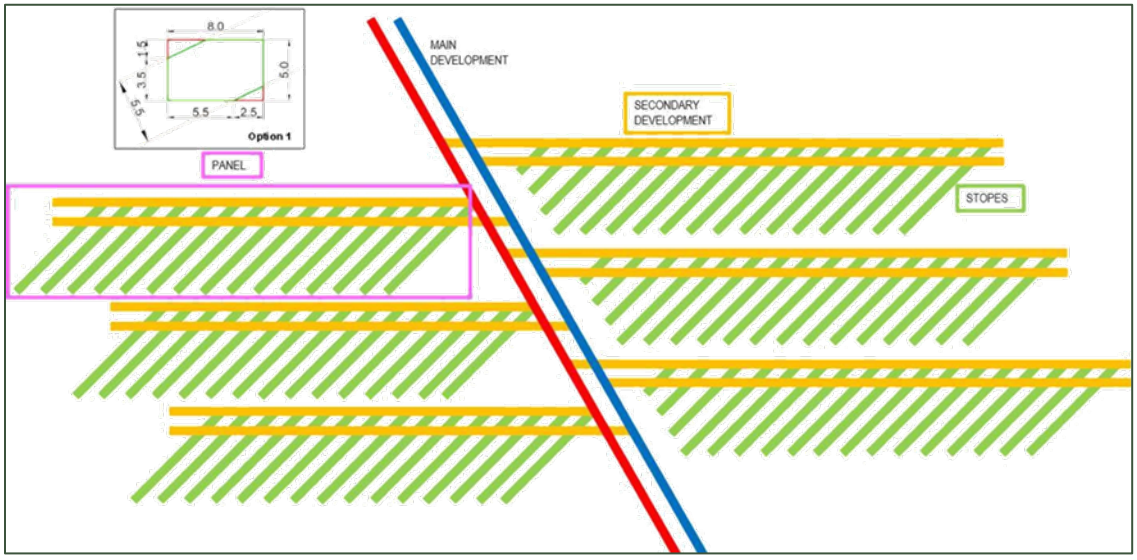
Figure 3-13: Typical Panel Layout -East P0AB Horizon



A backfill conveyor is installed in the panel intake drive to ensure that backfilling of the mined-out rooms can take place within the 28-day period required by the DIA to minimise subsidence. As the panel conveyors are extended behind the mining front, the ROM production conveyor will always lead the backfill conveyor. To maintain an appropriate ventilation circuit within the panel, the splits between the panel intake and return drives are temporarily sealed behind the advancing roadheader.

The P1 and P2 seams to the west are too steep to apply the same panel design methodology used in the P0AB. Room floor gradients would be more than 15%, so a modified room and pillar layout is proposed. For the P1 and P2 seams, the panel width will be approximately 200 m on just one side of secondary panel access drives. A general arrangement of the proposed west panel layouts is shown in Figure 3-14.

Figure 3-14: Typical Panel Layout West P1/P2 Seams



Main development and panel access drives will be driven on a 15% gradient and the rooms on 10%. The panel drives will be located on the up-dip side of the panel. Rooms are only mined to

the down dip side of the panel to assist backfill placement. As shown in Figure 2-14, due to the dip, the mining rooms are driven on apparent dip to the seam. Roadheaders will be used for production to minimise mining dilution, since this equipment is able to mine more selectively to the dipping seam contact. The rooms will require force ventilation and, if necessary, crosscuts between rooms will be mined to improve airflow.

3.1.6.7 Minerals Handling

During development of both declines, rock cut by the roadheader will be transported to surface using haul trucks.

For the mine operations, all ROM ore and waste will be transported via a series of belt conveyors from the production panels and drifts to the surface. The underground ROM production minerals handling conveyor system will be installed once the declines and underground infrastructure chambers in the pit bottom area have been completed. The minerals handling system utilises conventional belt conveyor technology, combined with shuttle cars and feeder breakers operating within the panel extraction areas.

Roadheaders, and potentially continuous miners, will load excavated ROM material directly onto high-capacity electric shuttle cars, which then transfer the mineral onto district trunk conveyors via a feeder breaker at the tail end of each panel conveyor.

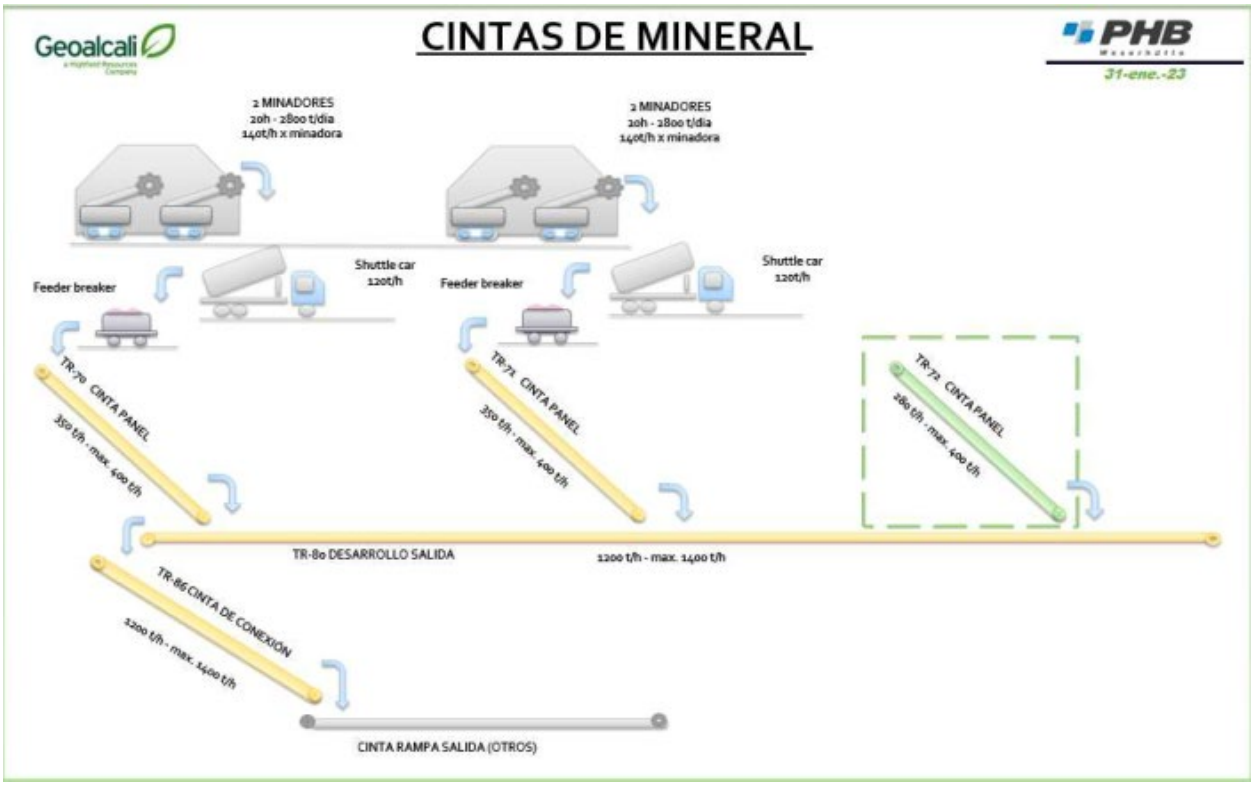
The mineral is conveyed from the panels via the main return airways to the bottom of the East decline. From here, the mineral is conveyed to the surface via the East decline conveyor system.

Each panel will have one feeder breaker and a connected panel conveyor. Panel conveyors will be rated at 400 tph and will be extended as the panel is advanced to a maximum length of 500 m. The panel conveyors will be relocated once the panel is finished.

The main ROM trunk conveyors are rated for 1,200 tph and are 1.2 m wide. They have sufficient capacity to meet the production target of Phase 2 of approximately 6 Mtpa.

Figure 3-15 depicts the overall mineral handling system from the roadheader at the production face to the East decline conveyor.

Figure 3-15: Mineral Handling System



3.1.6.8 Mine Backfilling

To mitigate the risks of surface subsidence, the DIA requires that all underground mining voids will be backfilled within 28 days of the completion of mining that particular drift / heading.

To meet the DIA requirements, HFR worked with specialist mine waste management company K-UTEC during 2019 / 2020, to develop the conceptual and basic engineering for the backfill system. This included undertaking pilot-scale testwork of two types of deposition systems.

More recently, PHB Weserhütte (PHB) have been engaged to complete the detailed engineering for the Tailings Management System (TMS). The fill placement method is based on the dry tailings backfill solution developed by K-UTEC, using slinger conveyors for the final deposition into the mining voids.

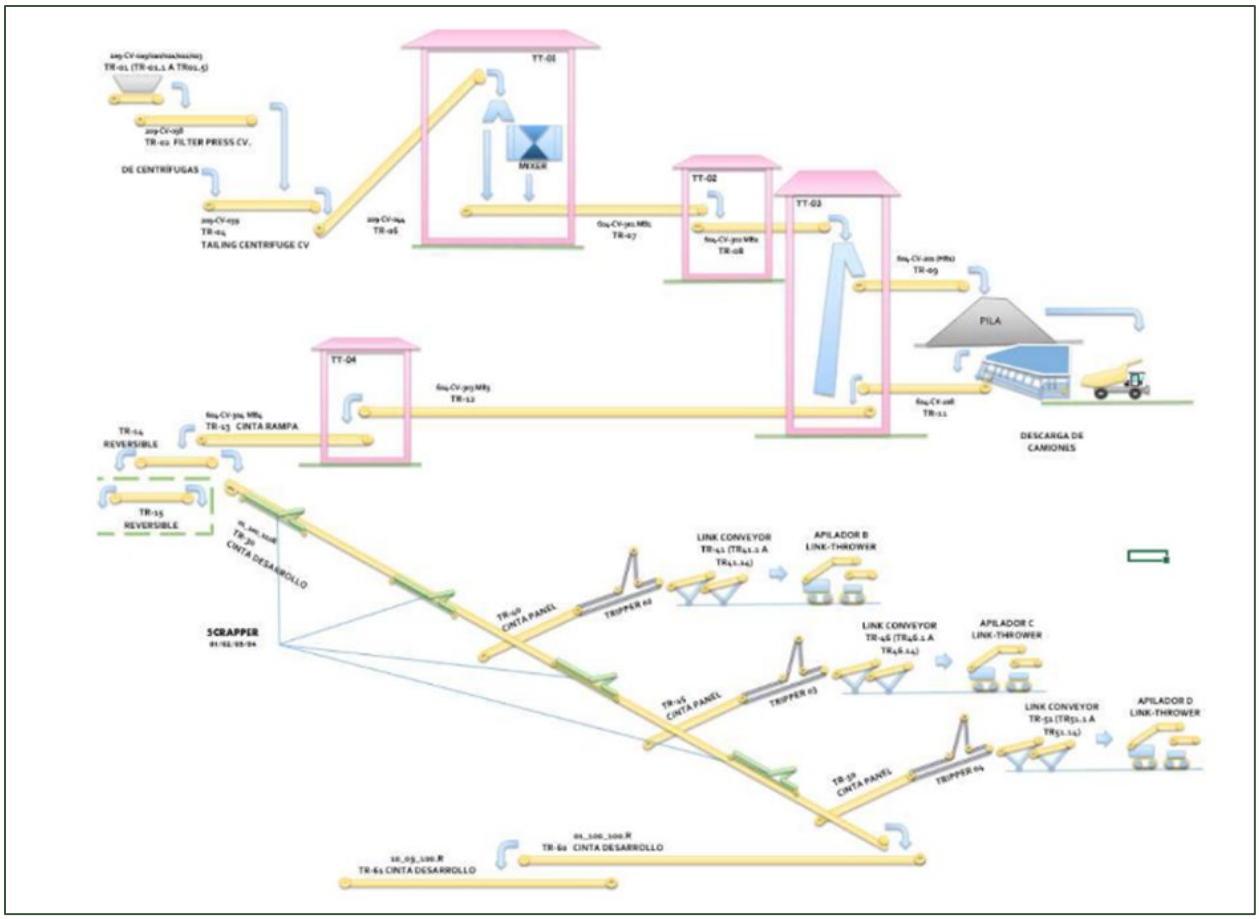
The TMS includes the above ground Tailings Dewatering Facility (TDF), the underground Backfill Distribution System (BDS), and a surface temporary dry Tailings Storage Facility (TFS). The TSF will accommodate any volume imbalance between the available voids underground and the volumes of tailings backfill material as well as excess material due to stoppages in backfilling operations, until such time as it can all be placed underground as backfill.

A material diverter is used to send backfill material from the TDF either to the mine or to the TSF by conveyor.

Material directed to the TSF is transported by a TSF conveyor infrastructure and stacked by a TSF stacking system.

A schematic of the TMS designed by PHB is shown in Figure 3-16.

Figure 3-16: Schematic of the Tailings Management System



The proposed backfill system is based on producing a suitable dry backfill material on surface from the process plant tailings that is then conveyed underground for deposition and consolidation within the excavated areas of the mine via a series of conveyors. It uses slinger belts within the mined-out workings to place and consolidate the backfill. The PHB detailed engineering is based on extensive materials testing of the backfill material carried out by K-UTEC.

The TMS process starts with the dewatering of two waste material streams (both slurries) containing brine and solid waste material from the process plant. In the TDF, the slurries are dewatered by a combination of centrifuges and filter presses and finally mixed in a paddle mixer to produce a blended homogeneous dry backfill saturated brine material suitable for use as the backfilling material.

The backfill material produced by the TDF is fed to the backfill conveyor infrastructure which comprises a series of conveyor belts to transport the backfill material by conveyor either to the mine for backfilling or to the TSF. Material directed to the TSF is transported by the TSF conveyor infrastructure and stacked by a TSF stacking system.

The backfill conveyor for the mine will be installed in the West decline. At the bottom of the decline, in the backfill transfer cavern, a distribution tower will direct the backfill material to the panels in the three working areas as required.

In the production districts, the backfill material is transported into the panel using an extendable conveyor system which can be lengthened and shortened as required to accommodate the development of the panel.

At the mined-out room to be backfilled, the backfill material is transferred onto a linking conveyor system, which subsequently feeds the slinger conveyor located in the mined-out room, as illustrated in Figure 3-17 and Figure 3-18.

Figure 3-17: Link and Slinger Conveyor Arrangement

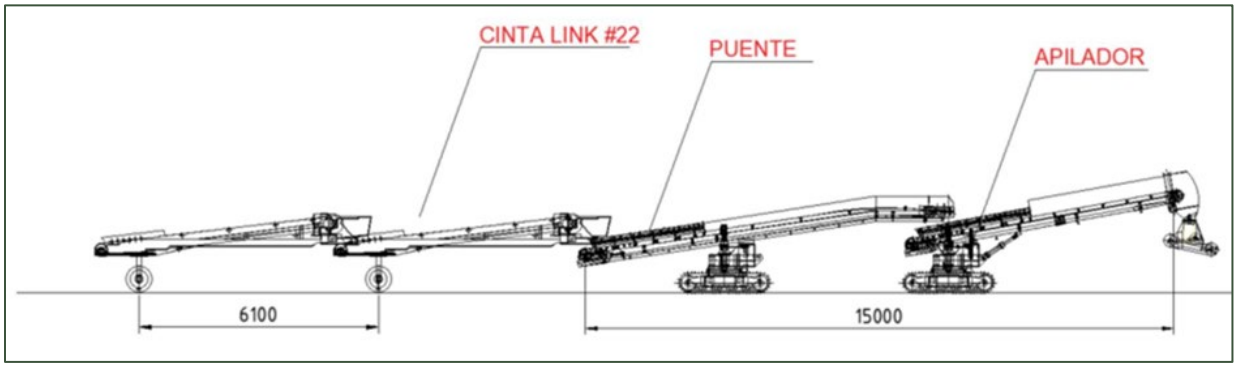
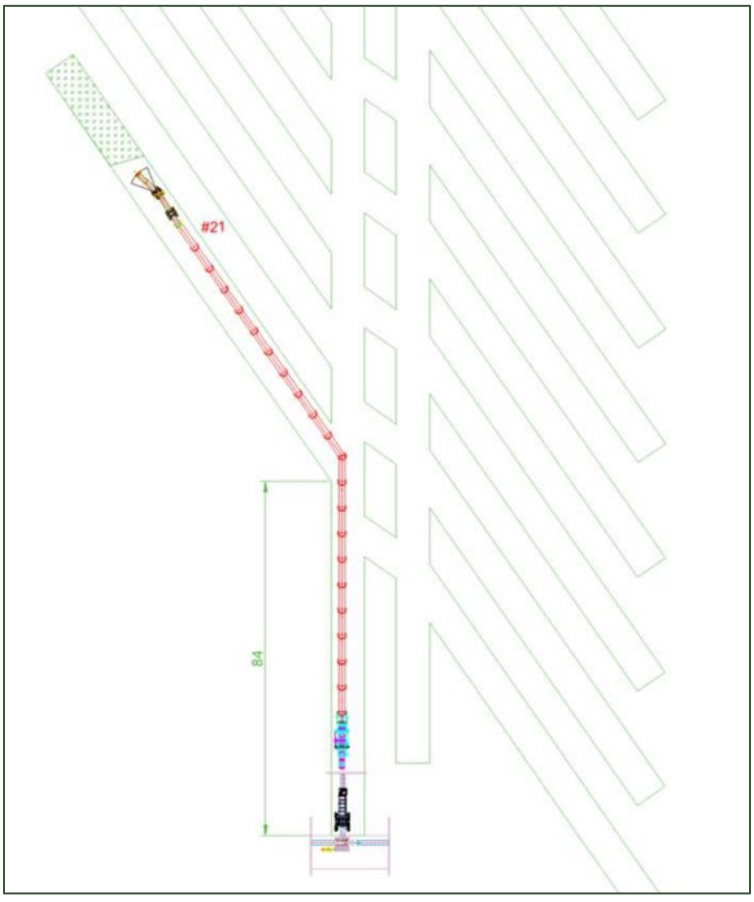


Figure 3-18: Link and Slinger System in Mined-out Room



The slinger is a very short belt which projects the backfill material at high speed, (15 m/s to 20 m/s), to compact it within the room being filled. The pilot-scale testing demonstrated that a slinger running at a belt speed of 12 m/s can achieve the desired backfill density of 1.78 t/m³.

3.1.6.9 Mine Equipment

The underground mobile development and mining fleet equipment consists of conventional underground mechanical cutting equipment, well proven for the mining of tabular and stratified deposits in many regions of the world. The fleet comprises a mix of tracked mechanical cutting equipment including roadheaders and continuous miners, electric shuttle cars to transport the cut ore to the belt conveyor system, and roof bolters for roof support installation, LHDs to load and dump material to intermediate storage points and other ancillary support equipment.

The initial mining fleet comprises a smaller number of units required for the development of the mine carried out in parallel with the processing plant construction and for the commencement of production operations in year 1. Purchase of this equipment is included in the initial capital cost estimate.

The fleet will grow each year through the addition of the extra units needed to meet the mine production targets. The costs for the additional equipment as well as replacement equipment is included in the sustaining capital estimate.

To match the increased development and ROM ore production targets required during Phase 2 of the operations, the fleet will be increased further by the addition of more production and development roadheaders and/or continuous miners, shuttle cars and auxiliary equipment.

Roadheaders are well suited to development of non-rectangular cross-sections and are typically employed where continuous or bolter miners cannot operate effectively, for example, where the seam dips steeply or is irregular.

The mining fleet includes a continuous miner for use in thin flatter seam extraction in the P0AB horizon with road headers for more selective mining, development and production.

Table 3-3 provides the list of equipment for the two phases of the mining operation.

Table 3-3: Mining Fleet for Each Phase of Production

Equipment	Phase 1 Fleet Numbers	Phase 2 Fleet Numbers
Roadheader	5	8
Continuous Miner	0	1
Shuttle car	5	9
LHD	2	4
Bolter	2	3
Feeder Breaker	3	5
4x4 car	13	24
Fuel supply truck	1	1
Scaler	2	3
Multifunction	2	4

The equipment assigned per panel consists of two cutting machines (continuous miner or road header), one shuttle car per cutting machine, and one feeder breaker. One bolter will operate in several panels and developments. LHDs will perform auxiliary production work.

The mine is categorized as a Gaseous mine under the Spanish Regulations. As a result, the primary production equipment will be electrically powered and will comply with the ATEX directives for use of equipment in explosive atmospheres.

The use of diesel equipment will be minimized to the ancillary equipment, which will be equipped with flameproof systems to comply with the ATEX requirements.

Equipment productivity (cutting and loading rates) is based on manufacturer guidance on equipment performance at a variety of seam thicknesses. Cutting equipment is assumed to operate seven days per week for an average of 16.5 hours per day. The net productivity has been reduced to make allowance for extension and installation of services such as ventilation, electrical supply, communications, and conveyor belt extension and for the relocation of the cutting machine to a new location.

The fleet sizing has assumed reasonable daily productivity for the cutting machine types selected.

3.1.6.10 Life of Mine Plan

The LOM plan prepared by HFR for the 2023 FS Update includes all Proved and Probable Ore Reserves estimated by SRK. Later in the mine life (from approximately year 18 onwards), a mix of additional Measured and Indicated Resources (approximately 6%), and some Inferred Mineral Resources (approximately 9%), are also included. An additional tonnage of material classified as “Exploration Target” material is included (approximately 24.7%) in the schedule during the final six years of the mine life.

The LOM production schedule is designed to feed the processing plant with sufficient ROM ore to achieve a combined 1.02 Mtpa of MOP products, following the completion of the Phase 2 process plant expansion. Throughput of ROM material to the plant doubles from approximately 3.1 Mtpa in the first three years of the LOM plan, to approximately 6.2 Mtpa steady state for the subsequent 27 years.

Based on the above mineral inventory, the LOM is 30 years and contemplates the mining of a total of 174.3 Mt or ROM material. In addition, 14.3 Mt of salt waste is mined over the mine life.

SLR notes that the diluted ROM ore tonnage includes 11.0 Mt of Measured and Indicated Mineral Resources, 16.0 Mt of Inferred Mineral Resources, and 43.0 Mt of Exploration Target material.

The first 18 years of LOM is based on only extracting the estimated Mineral Reserves. The following 12 years of the LOM plan are based on mining some additional Mineral Resources and Unclassified material.

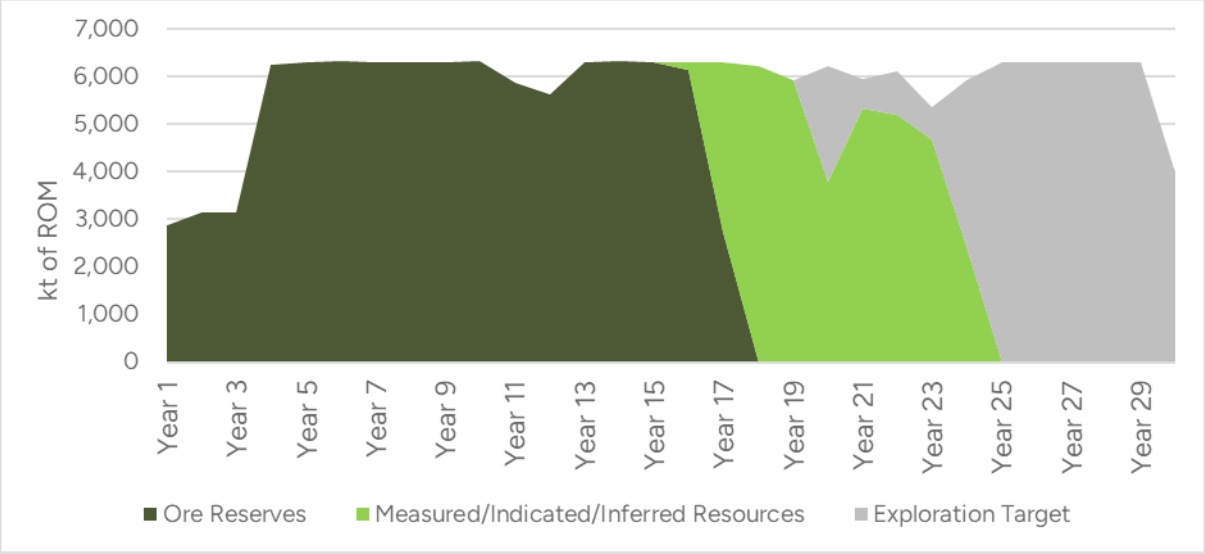
Table 3-4 and Figure 3-19 illustrate the ROM tonnage by classification in the LOM plan.

Table 3-4: Life of Mine Diluted ROM Tonnes by Mineral Classification

Category	Tonnes (Mt)	Grade (% K_2O)
Proved and Probable Reserve	104.3	10.2
Measured and Indicated Resource	11	12.9

Category	Tonnes (Mt)	Grade (% K_2O)
Inferred Resource	16	10.8
Exploration Target	43	10.0
Total Ore	**174.3**	

Figure 3-19: Sources of Material Included in the LOM Plan



A cut-off grade of 8.0% has been used to determine the amount of inter-burden dilution that can be included within each mining block. Where the seam is less than 2.0 m in height, additional salt waste from either the floor or the roof has been included.

The individual designed development and production drives designed in the P0AB horizon and, larger mining block solids of lower detail in the P1 and P2 seams have been used to generate the LOM plan physicals (tonnes and grade). These wireframe shapes have been individually evaluated against the resource model and the resultant tonnes and grades have been sequenced using Deswik scheduler software. A constant mining rate based upon tonnes per day has been applied to each block in the schedule based upon which type of machine will mine it, roadheader or bolter miner.

Each panel in the mine design has been assessed for the amount of salt waste that can be selectively mined from the panel and placed as direct backfill underground. This selectivity reduces the amount of salt waste that will be sent to the plant as part of the ROM ore. However, where selective mining of waste salt is impractical due to geometry or thickness, this inter-burden will be mined with the mineral and included in the ROM ore feed as dilution.

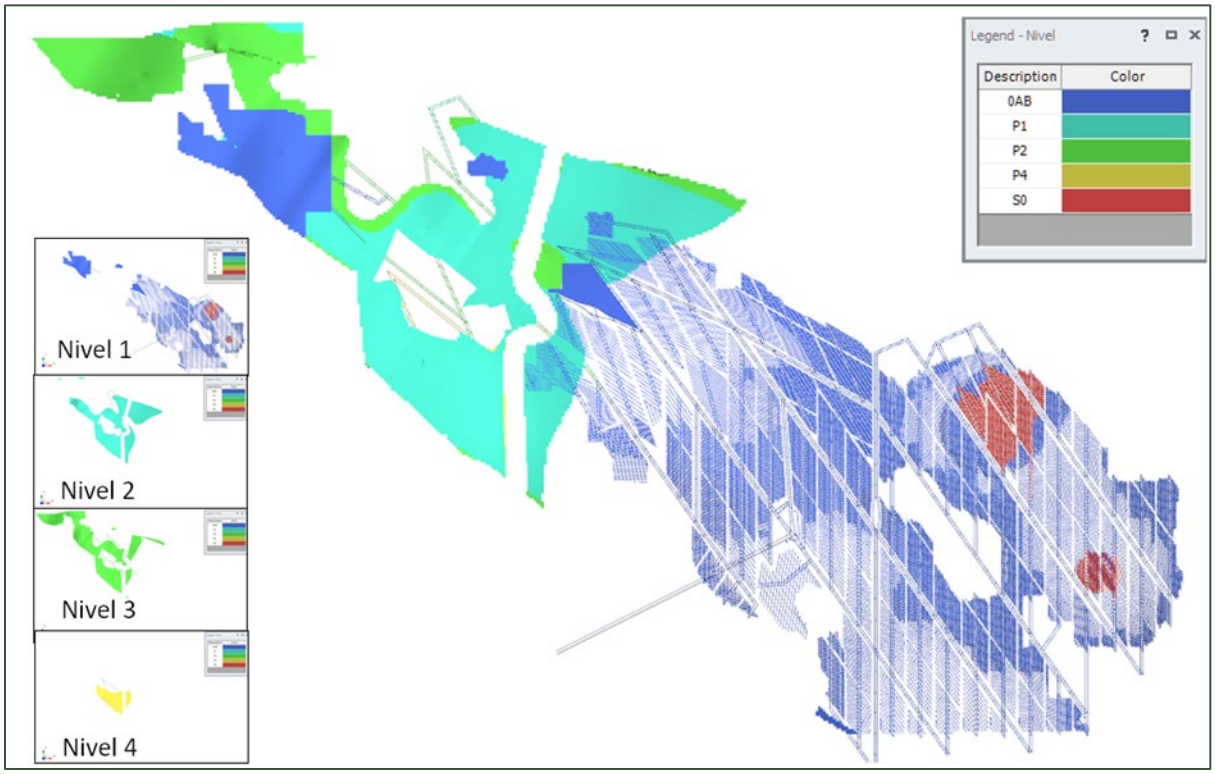
Some ROM tonnage will be produced during development of the underground infrastructure development and declines, and prior to plant start up, which occurs in month 1 of production year 1. Recruiting and training of company personnel is planned to start 12 months prior to the commencement of mining operations in year 1.

In both phases of the operation, mining will start from the upper level, Level 1, and move to the lower Levels 2, 3, and 4. The upper levels will be backfilled, ensuring that the stresses and convergence of the lower levels are not affected by mining above.

Figure 3-20 shows the mining areas by level. Level 1 mainly comprises the seams P0, PA and PB, and is closest to the declines. During Phase 1 production, P0AB level contributes 73% of the production, Level 2 produces 13%, and Level 3 is 9%.

In Phase 2, the P0AB level contributes 66% of ROM ore during the first 10 years of production, Level 2 represents 19%, Level 3 is 11%. There is no production from Level 4 in the first 10 years.

Figure 3-20: Sources of Material Included in the LOM Plan



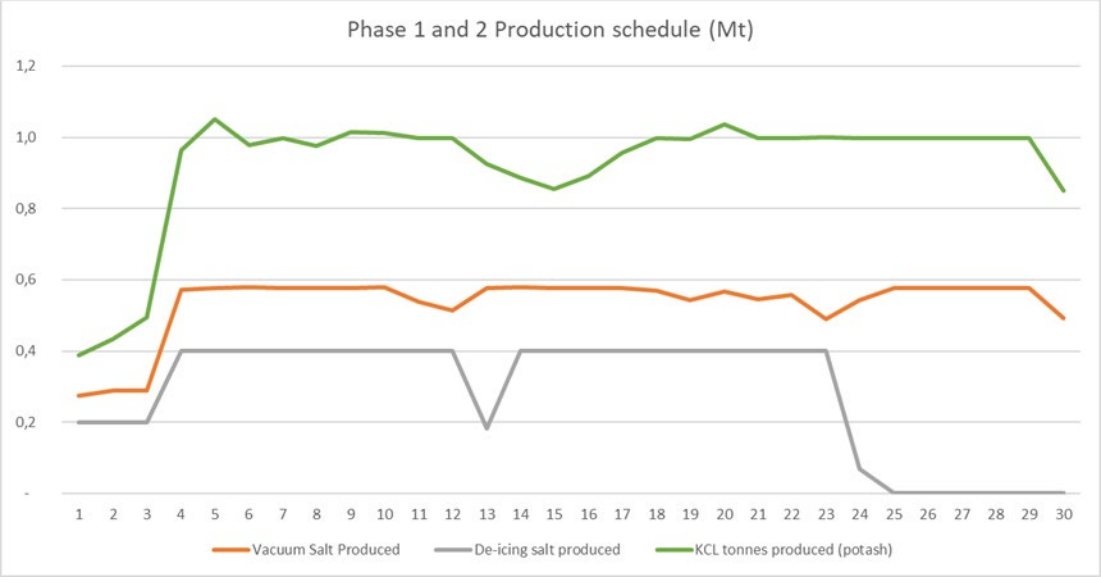
A ramp-up period of eight months to full Phase 1 plant production of K60 has been assumed. The anticipated ramp up is shown in Figure 3-21.

Figure 3-21: Plant Ramp Up

During Phase 1, the mine will deliver approximately 3.1 Mtpa of ore to the process plant to allow the production of approximately 0.5 Mt of K60 product per annum. In the first ten years, when ROM feed is mainly from the P0, PA and PB seams, head grades average 11.0% K_2O and recoveries average 95%, with some variability between years according to individual mining areas. The pattern of recoveries closely follows the variability in grades.

Phase 2 production will double the rate of phase 1 production. A summary of the production schedule is shown in Figure 3-22.

Figure 3-22: Produced Product Ramp Up



SLR cautions that the mine design and LOM plan are only as good as the wireframes and geological interpretations available to the mine planner. This particularly applies to the predictions of the banded and brecciated ore and the amount and location of the salt inter-burden that is intended to be selectively mined. It will only be when the planned underground drilling is undertaken, and the mining panels are blocked out with in-seam development, that the

accuracy of the geological interpretation and block model can be reconciled with the actual in-situ geology.

Use of Inferred Mineral Resources and Exploration Target Material in LOM Plan

SLR considers it is reasonable to include the relatively small tonnage of Inferred Mineral Resources (6% of total LOM tonnes and 36% of the estimated Inferred Mineral Resource tonnes) in the LOM plan when this is mined after the Ore Reserves, i.e., in this case after 18 years of mining operations.

SLR cautions, however, that while there is a reasonable expectation that the Inferred Mineral Resources will ultimately be converted to Indicated Mineral Resources with the intended underground exploration programme, this cannot be guaranteed.

SLR is of the firm opinion that to be in accordance with the guidelines of VALMIN, no Exploration Target material should be included in the LOM plan used as the basis for an Income Approach valuation. Therefore, SLR recommends that this material is excluded from the economic model used for valuation purposes.

To this end, HFR has prepared an amended LOM plan that excludes all the Exploration Target material. This reduces the LOM by six years to 24 years and the total ROM tonnes mined to 133.5 Mt, with 132.4 Mt processed.

3.1.6.11 SLR Comments

- The latest mine design prepared by IGAN, applies the extraction ratios estimated by SRK for both flat and inclined seams. However, SRK's model was based on a previous layout which is no longer being used. Prior to updating the mine design, further 3D simulation should be carried out to confirm and optimise the pillar size and layout, confirm pillar stability and minimise any possibility of surface subsidence.
- The subsidence analyses undertaken by Laín demonstrates that subsidence values are well within the allowable thresholds. The subsidence model should be updated to reflect the latest mine design and extraction sequence and validated with additional geomechanical data acquired during the initial development in the potash mining horizon.
- R&P mining is a well established, safe, and relatively low cost mining method, and SLR considers the selection of R&P mining to be appropriate for the anticipated geological and geotechnical conditions at Muga. It also allows some selectivity as room dimensions can be varied to accommodate variations in the thickness and grade of the potash seam(s).

  At a mine scale, SLR notes there is potential to encounter local structural variations, faults, and folding not currently captured in the geological model. Geoalcali intends to carry out an ongoing programme of underground exploration and definition drilling to acquire advance warning of any features that may impact the mine plan and layout. Consequently, it is likely that the mine design will need to be adjusted when this further knowledge is gained during the mine development. This is considered a normal evolution of a mining operation during development and early operations.
- SLR is of the opinion that the underground infrastructure is suitable for the proposed mining operations and is suitably developed for the level of study.
- Roadheaders have been selected as the primary production equipment type due to their overall operational flexibility. In SLR's opinion, the use of roadheaders as the primary

production machines, although not optimal from a productivity standpoint, is a practical option for the likely variable seam dip conditions.

- SLR considers the proposed solution for conveying and placing the backfill material to be technically feasible that uses conventional and proven conveying technology and equipment. The use of a single supplier to engineer, supply and install the system is sensible and should reduce commissioning and operational issues.
- SLR is of the opinion that mine planning and scheduling for the LOM plan has been carried out with reasonable precision and care, and no issues have been identified. SLR also finds the productivity assumptions used in the production schedule to be reasonable.
- No Exploration Target material should be included in the LOM plan used as the basis for an Income Approach valuation. SLR recommends that all of this material is excluded from the economic model used for valuation purposes.

3.1.7 Mineral Processing and Metallurgical Testing

3.1.7.1 Metallurgical Testing

Summary

Metallurgical test work was completed using samples from the Muga Project starting in 2014. The testing was conducted by the following laboratories:

- 2014 – University of Barcelona, Barcelona, Spain
- 2018 – SRC Labs, Saskatoon, Canada
- 2019 – GEA Messo, Duisburg, Germany
- 2019 – SCYPI, Oviedo, Spain
- 2020 – K-UTEC Labs, Sonderhausen, Germany

The test work carried out during the above five campaigns included mineralogy, petrology, liberation analysis, attrition and flotation tests, crystallization tests, magnesium (Mg) removal tests, and leaching tests.

All the data obtained from testing was then analyzed by Highfield in SysCAD by HFR, a process simulation software, to generate a mass balance and recovery estimation that accounts for every stream in the process.

Metallurgical Samples

The 2014 test work was completed from samples collected from 11 drill holes representing two ore types (banded and brecciated).

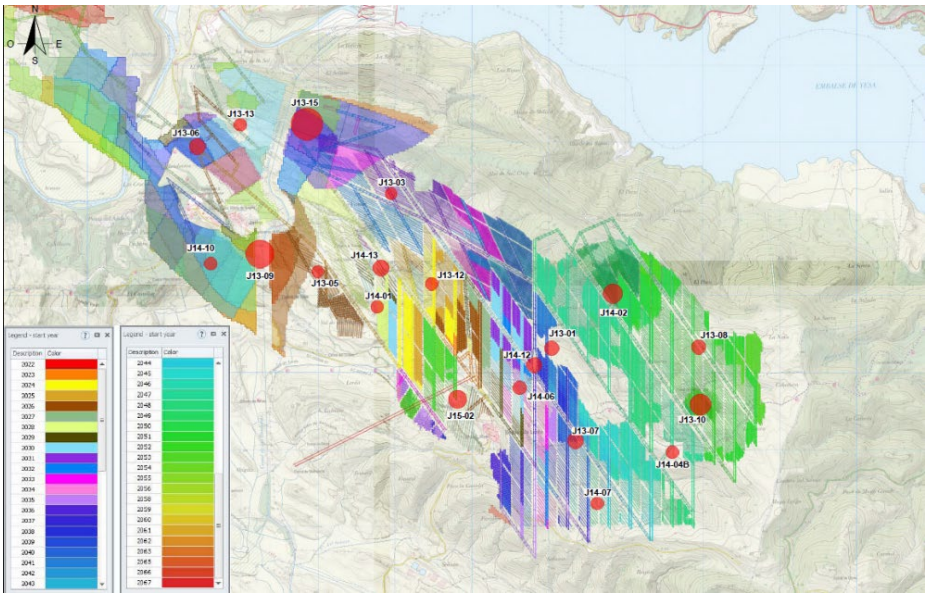
It was later determined that some of the samples had demonstrated both the banded and brecciated material, especially for transition areas, and these were identified as “mixed”.

The test work programme from 2018 onwards was completed on three composite samples of 50 kg each, representing the three ore types (banded, brecciated, and mixed). The average head grades of the selected samples are shown in Table 3-5. The locations of the samples for all three composites are shown in Figure 3-23, Figure 3-24, and Figure 3-25.

Table 3-5: Head Grades of Metallurgical Composite Samples for 2018 Test Work

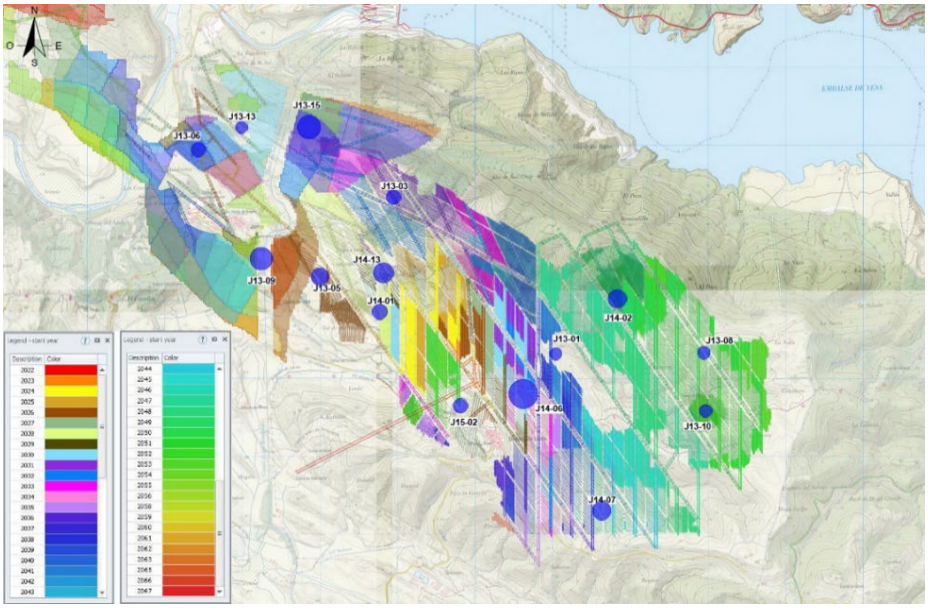
Sample	KCl (%)	$MgCl_2$ (%)	NaCl (%)	$CaSO_4$ (%)	Insoluble (%)
Banded	16.8	1.3	64.3	7.6	8.8
Brecciated	12.9	2.1	58.1	7.2	18.8
Mixed	14.4	1.3	61.9	7.9	12.9

Figure 3-23: Sample Locations for the Banded Samples



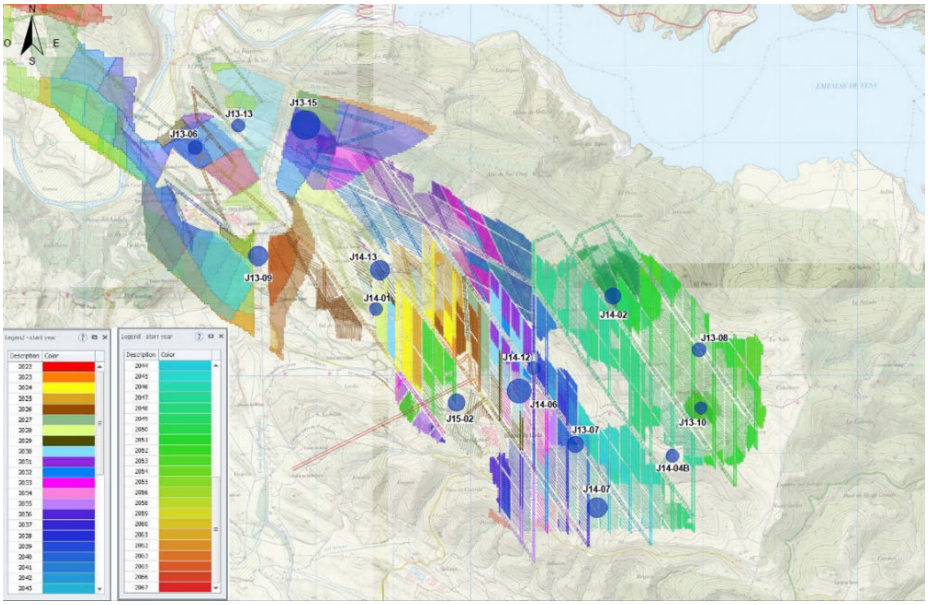
Source: Geoalcali 2021a.

Figure 3-24: Sample Locations for the Brecciated Samples



Source: Geoalcali 2021a.

Figure 3-25: Sample Locations for the Mixed Samples



Source: Geoalcali 2021a.

Mineralogical and Metallurgical Test Work

Mineralogy Test Work

A series of mineralogical examinations ranging from petrographic analysis to quantitative evaluation of minerals by scanning electron microscopy (QEMSCAN) were completed on the ore samples. The work indicated that, halite, sylvanite, and carnallite are the primary minerals along with sulphates and carbonates. The liberation analysis indicated that highest liberation ranged between 87% and 92% and occurred between 0.42 mm and 0.60 mm grind size for all three samples.

Comminution Test Work

Bond Ball mill work index (BWI) tests were completed on banded and brecciated samples and the results are shown in Table 3-6.

Table 3-6: Comminution Test Work Results

Sample	BWI (Bond Ball Mill Work Indices) (kWh/t)
Banded	7.57
Brecciated	7.60

The reported ball mill indices are almost identical for the purposes of design of the comminution circuit and are considered soft on a relative scale of crushing and grinding characteristics.

Flotation Test Work

Rougher flotation tests were conducted at a grind size of 1.4 mm (after desliming at 100 µm) on all three composites (banded, brecciated, and mixed). The cleaner flotation tests were conducted on reground (500 µm) rougher concentrates. Scavenger flotation was conducted on two separate

streams (+53 µm size fraction of the slimes and reground rougher tails). A summary of the overall flotation results is shown in Table 3-7.

Table 3-7: Summary of Flotation Test Results

Composite	Product	Grade KCl (%)	Recovery (%)
Banded	Cleaner concentrate	93.1	70.1
	Cleaner tails	1.9	0.1
	Scavenger concentrate	53.4	10.3
Brecciated	Cleaner concentrate	91.4	58.2
	Cleaner tails	0.2	0.1
	Scavenger concentrate	50.5	15
Mixed	Cleaner concentrate	92.7	68.2
	Cleaner tails	1.6	0.1
	Scavenger concentrate	51	11

Leaching and Crystallization Test Work

Leaching tests were conducted on the flotation scavenger concentrates with the objective of achieving 95% saturation of KCl in the solution. The leaching test results are summarized in Table 3-8.

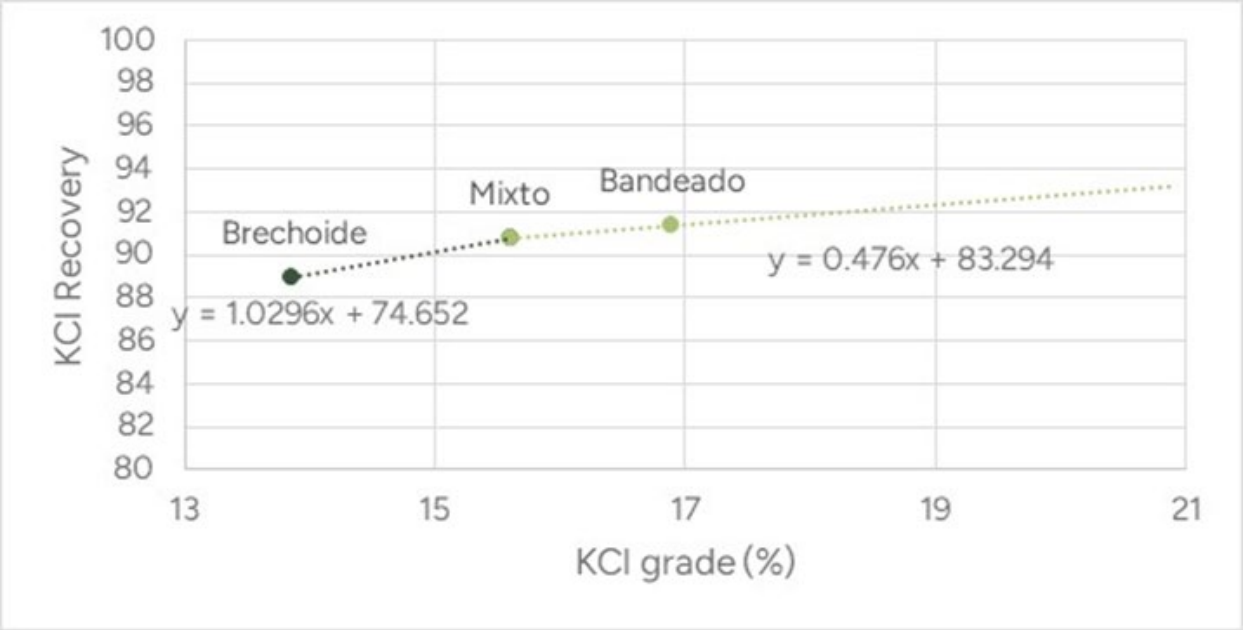
Table 3-8: Summary of Leaching Test Results

Sample	Extraction with Brine (%)	Extraction after Washing with Water (%)
Banded	46	59
Brecciated	65	82
Mixed	35	63

Metallurgical Recovery

The metallurgical recoveries for various ore types were estimated by using two equations, as shown in Figure 3-26.

Figure 3-26: Estimated Metallurgical Recoveries



The model stated the recovery (y) as a function of head grade (x) and used the following equations:

Brecciated: $y = 1.0296x + 74.652$

Banded: $y = 0.476x + 83.294$

Metallurgical recoveries were estimated using the above equations at various head grades for the brecciated and banded ore types in Table 3-9. SLR understands that the recovery of the mixed ore type will be estimated based on the head grade alone by either of the equations and no separate equation was derived for the mixed ore.

Table 3-9: Estimated Metallurgical Recoveries at Various Head Grades

Head Grade – KCl (%)	Recovery (%)	
	Brecciated	Banded
12	87.0	89.0
13	88.0	89.5
14	89.1	90.0
15	90.1	90.4
16	91.1	90.9
17	92.2	91.4

It is clearly seen from data shown in Table 3-9 that the estimated recoveries are significantly higher than the flotation recoveries stated in Table 3-7. SLR notes, however, that the flotation tails and the slimes will undergo leach extraction, and this will contribute to additional recovery. SLR understands that the leach recoveries of the flotation tails used in the SysCAD model were based on the leach test work results shown in Table 3-8, while the leach recoveries for the

slimes used in the model were based on the assumption that all the soluble KCl in the slimes will be dissolved during the leach process.

SLR Comments

- The metallurgical test work sample selection appears to have been completed in a logical manner. Samples included all three major ore types (banded, brecciated, and mixed) and were sourced from different areas of the orebody.
- The test work was completed on three composite samples representing three major ore types. Composites can provide a good indication of the general process behaviour, which is useful in process plant design.
- SLR understands that none of the samples selected for the test work represent the ore that will be processed in the first three years of process plant feed. It is understood HFR has allocated budget for underground metallurgical drilling whilst developing the declines to investigate these areas before production commences.
- The mineralogical test work included all of the essential elements that are required for the level of study. The mineralogical investigations and the results justify the proposed flowsheet.
- The potash ore appears to be relatively soft; therefore, the lack of extensive comminution test work may not necessarily pose a challenge. The attrition and flotation test work appears to be adequate for the level of study.
- No variability test work has been completed and is required in order to understand the local differences within the same ore type and across the ore types
- The recovery used in the financial model is a mass recovery of 95.8% (with a product quality of 95% KCl) which effectively converts back to a metallurgical recovery of 91.1%.

3.1.7.2 Process Description

Introduction

The process plant is part of an above ground beneficiation plant that includes storage for ROM ore; crushing and flotation processing, including a two-stage crystalliser; product drying compacting and glazing installations; product storage and dispatch facilities, including all ancillary site buildings; freshwater and brine storage ponds; tailings dewatering and backfilling; and a temporary tailings storage facility.

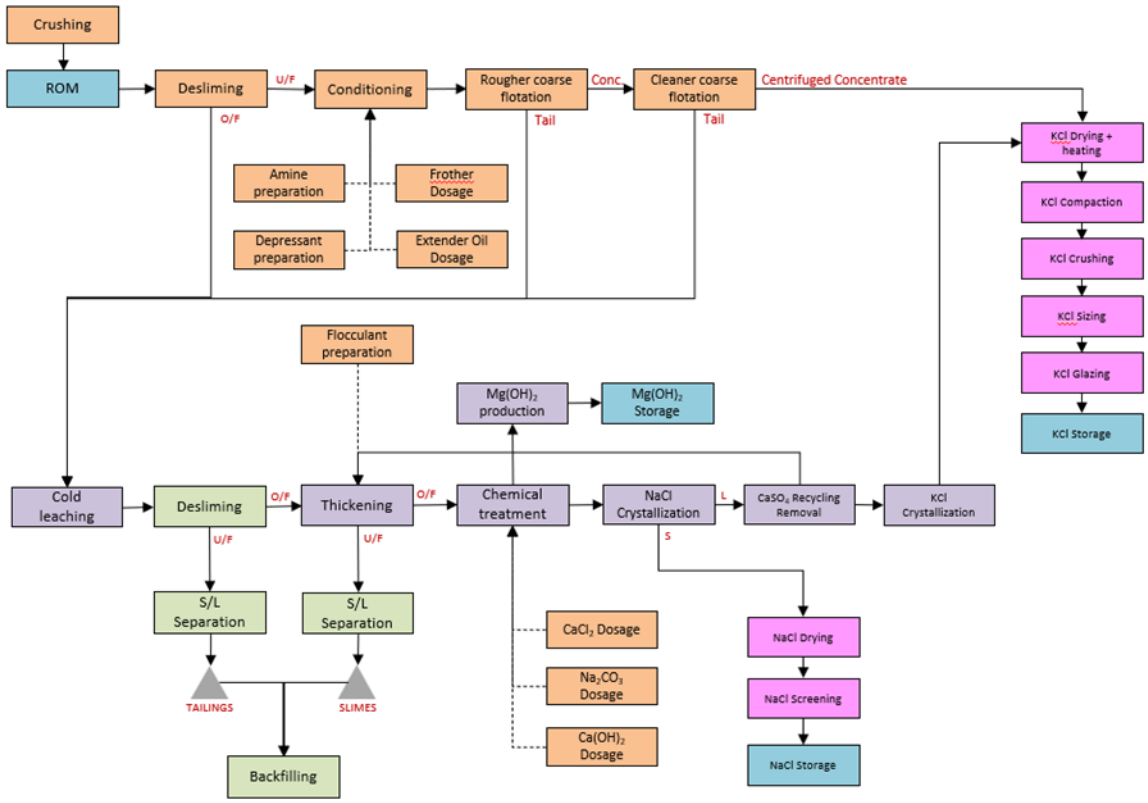
The plant will comprise a flotation circuit complemented by a crystalliser circuit, producing approximately of SMOP in Phase 1 and an additional 510,000 tpa of GMOP for a combined total production of 1.02 Mtpa in Phase 2. Approximately 280,000 tonnes of vacuum salt will also be produced in Phase 1 and double this amount in Phase 2.

The Phase 1 and Phase 2 flowsheets are identical, excepting the addition of the granulation circuit (i.e., compaction and glazing) will only be constructed as part of Phase 2. Thus, the final product during Phase 1 will be SMOP. The construction of the granulation circuit for both process streams will be constructed during Phase 2, and the final product after commissioning of Phase 2 is expected to be GMOP.

The ROM ore is crushed to -15 mm size, attritioned and deslimed to separate insoluble particles, and then conditioned with reagents prior to rougher flotation. Rougher concentrate is reground and transferred to the cleaner flotation in a column to obtain the final flotation

concentrate. Slimes, rougher tails, and cleaner tails are cold leached prior to solid/liquid separation to remove final tails and slimes. This process results in a potassium chloride (KCl) concentrated brine, to which reagents are added to remove magnesium and other impurities. The resulting brine feeds the crystallization unit, where both vacuum salt and a high grade KCl product are obtained. A block flow diagram describing the process flowsheet is shown in Figure 3-27.

Figure 3-27: Block Flow Diagram Describing the Process Flowsheet



Source: Highfield 2024

Process Design Criteria

A summary of the process design criteria is shown in Table 3-10.

Table 3-10: Process Design Criteria

Design Parameter	Units	Value	
		Phase 1	Phase 2
Plant throughput	tph	400	800
Head grade – design	% KCl	17.5	17.5
	% NaCl	62	62
	% Insoluble	20.7	20.7

Design Parameter	Units	Value	
		Phase 1	Phase 2
	% $MgCl_2$	0.6	0.6
Final product	-	SMOP	GMOP
Crusher availability	%	90%	90%
Mill availability	%	90%	90%
Specific gravity	t/m^3	2.12	2.12
Moisture content	%	5	5
Potash production	tpa	510,000	1,020,000
Salt production	tpa	500,000	1,000,000
Average recovery	% KCl	91.5	91.5
Product grade	% KCl	95.5	95.5
Bond ball mill work index	kWh/t	9	9
ROM feed size	P_{100}-mm	200	200
Crushed product size	P_{80} – mm	4	4
Primary mill product size	P_{80} – mm	0.95	0.95
Regrind mill product size	P_{80} – mm	0.4	0.4
Flotation – rougher retention time	minutes	11	11
Rougher volume	m^3	136	
Cleaner retention time	minutes	10	10
Cleaner dimensions	m X m	4 X 8	4 X 8
Thickener specific area – pre-leach	$m^2/t/d$	0.48	0.48
Tails	$m^2/t/d$	0.176	0.176
$MgCl_2$	$m^2/t/d$	0.659	0.659

SLR's Comments

- The process flowsheet is logical, consists of standard equipment, and is designed with the objective of maximizing potash recovery. SLR notes that this type of flowsheet is used in a number of mines around the world for potash processing.
- The flotation circuit followed by a captive leach circuit increases the potash recovery, while the downstream crystallisation ensures that the product qualities are met.
- The surge capacity between the mine and the process plant is three days of plant production during the Phase 1 operation, which is adequate to cover the differences in operating hours between the mine and the process plant.
- The primary mill and the regrind mill are adequate to achieve the plant design throughput of 400 tph. SLR recognizes that there is some throughput upside potential in terms of the mills and approximately 15% additional throughput could be processed by the selected mills.

- All of the thickeners have the required thickener areas to dewater the slurry at the design throughputs and design specific settling rates. The design specific settling rates appear reasonable for the duties.
- SLR notes that the comminution section of the flowsheet is conventional and consists of a cage mill for the primary grinding duty. There is a risk that this could become a bottleneck if any operational issues are experienced by the cage mill.
- The design operating time of 90% for the crushing circuit is optimistic in SLR's opinion. This means that the crushing circuit may potentially become a bottleneck for the process plant operation.
- The selected primary crusher is an impact crusher with a feed size of 200 mm (top size) and 187 mm (P80). Impact crushers are well suited for potash applications; however, the target product size is very fine and may be challenging to achieve in practice.
- Total rougher flotation cell volume is 135 m3 (8.5 m3 X 8 cells X 2 banks). This is sufficient for the design retention time of 11 minutes at the nominal throughput of 284 tph (618 m3/h at 37% solids). SLR notes, however, that the total rougher volume is not sufficient to process the proposed design throughput of 341 tph (741 m3/h at 37% solids) at the design retention time of 11 minutes. As a result, the flotation circuit may become a bottleneck if the plant needs to process at the design throughput.
- The test work programme was completed on three different ore types (banded, brecciated, and mixed). Each ore type has demonstrated characteristically different process behaviour based on the amount of potash recovered by flotation and leach circuits. SLR notes that the overall recoveries are similar, while the operating strategy for each ore type is different.

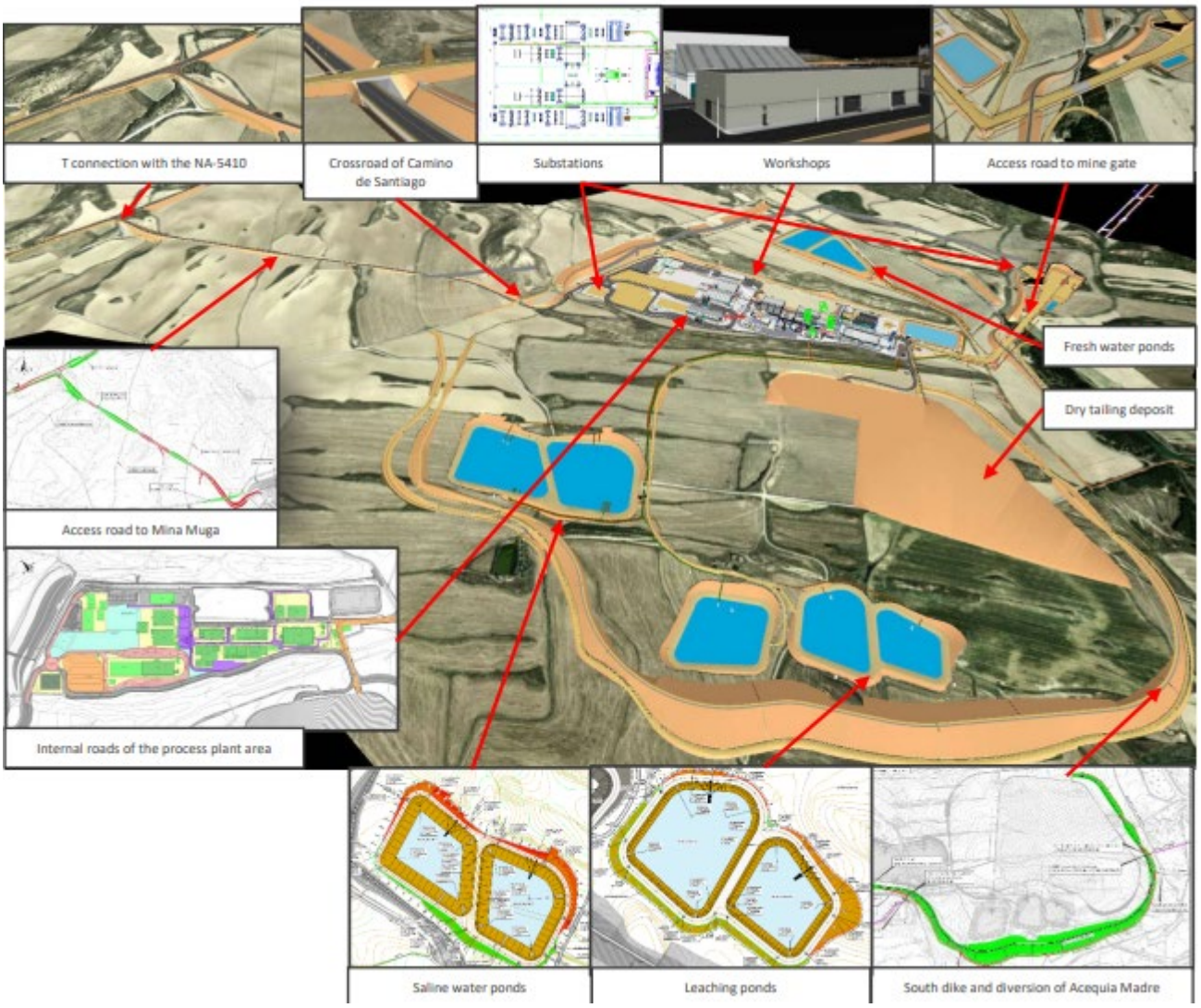
3.1.8 Infrastructure

3.1.8.1 General Site Layout

The Project benefits from being in close proximity to all the primary infrastructure needed to develop and operate the mine, including national grids for electricity and gas supply, communications infrastructure and a short distance to the public highway and national motorway system.

Figure 3-28 shows the site general arrangement.

Figure 3-28: Site and Infrastructure Layout



3.1.8.2 Site Access

A private 1.7km access road will be constructed to link the mine with the local highway NA-5410, to the north of the site between Sangüesa and Javier. The NA-5410 allows access to the A-15 motorway near Liédena, about 10 km from the mine site.

The design for the new access road connecting the mine site to the NA-5410 has been completed in detail to meet the Muga Project access needs. This includes the change to the intersection with the NA-5410 and the replacement of several ancillary agricultural tracks, which are impacted by the Muga Project.

In accordance with heritage/cultural constraints, the design also takes account of the interaction between the new road and the “Camino de Santiago” close to the plant site, and the road will pass through a concrete underpass structure under the Camino de Santiago,

All the product from Muga will be transported by road transport either to the export ports on the Atlantic Coast or to the local markets in Europe.

Based on road transport of 1.02 Mtpa of potash and 1 Mtpa of salt from the project, a new traffic study was undertaken during 2021 to consider the impact on the local roads and highways. The conclusion of the study was that the existing highway infrastructures has sufficient capacity to absorb the extra traffic generated by the Muga Mine.

3.1.8.3 On-site Infrastructure

The processing plant facility and associated infrastructure will be located to the west of the mine portals with internal road access to the mine portal and to the main site access road.

The processing facilities will consist of several buildings including the crushing and grinding, flotation and crystallization, drying and compaction buildings (in Phase 2) and the storage facilities for the MOP product and vacuum salt vacuum.

The plant site is in a natural valley, with relatively high flanking slopes that provide natural protection to reduce visual and noise impacts.

Water resource protection and management forms a key part of the environmental and mining concession approvals for the Muga Project. The DIA requires that there is no discharge of industrial water from the site, and all process and contact water must therefore be captured and reused on the site.

An integrated water management system has been developed for the whole site to ensure compliance with the requirements of all the environmental and water usage permits as well as adopting best environmental practices for the management of water discharges and on-site water resources.

The drainage system on the site has been designed to manage this need, by means of various drainage channels and water storage ponds around the site.

Two existing water channels, Valdemolinero and La Esquiva, will be diverted to prevent natural water flowing through the industrial areas.

As much as possible, rainwater runoff and fresh non-saline will be captured in ditches and drains around the site that will divert the water to rainwater and freshwater water storage ponds. Saline water will be captured and transferred to a saline water storage pond.

Site Utilities

Most of the underground mining operations, process plant and surface facilities will be powered by electricity. This means that the site electrical power demand is high and at full capacity, when the process plant is operating at 800 tph in Phase 2, the total electricity consumption is estimated to be 460 GWH per annum.

The site benefits from its proximity to a regional substation on the national 220 kV electricity supply grid at Rocaforte, close to Sangüesa. A new substation to stepdown the 220 kV national grid voltage to the 66 kV supply to the mine will be built in a parcel of land adjacent to the existing Rocaforte regional substation.

The site supply network will be connected to the new substation via an 8.5 km long 66 kV line, (some of which will be above ground on pylons, and some buried below ground) to the main on-site substation with a further overhead 66 kV line running approximately 1.7 km to the mine portal substation. The distribution voltage to the various power centres in the process plant area will be 20 kV and in the underground mine, will be 10 kV.

Natural gas will be used as the fuel source for the potash drying and glazing processes and for heat in the crystallization process in the plant. Gas will be provided from the national distribution

grid through a gas pipeline the entrance of the Muga facilities constructed and managed by a third party.

All permits related to water use and management are regulated and issued by the Confederación Hidrográfica del Ebro (CHE), the body responsible for water courses in the Ebro River basin. Separate permits are required for water extraction, management of public surface and ground water, water discharge and for any works that will impact the installations of the water authority.

An integrated water management system (SIGA) has been developed for the whole site to ensure compliance with the requirements of all the environmental and water usage permits as well as adopting best environmental practices for the management of water discharges and on-site water resources.

As well as avoiding contamination of the environment by salty water, a key element of the SIGA is minimizing the consumption of fresh water from external sources by maximizing reuse of brine from the production process and keeping fresh and salty water separate through a system of storage ponds.

A site-wide water balance has been built to simulate the supply and consumption of freshwater and manage the storage and reuse of brine produced on the site. The water and brine management system consists of four independent circuits, separated by quality, salinity, and use.

Fresh water will be drawn from the Bardenas Canal, a local irrigation channel. A storage pond of 105,000 m^3 capacity will be built in the northern area of the site, from where water will be distributed around the site.

Salty run-off water will be collected from the various sources around the site and will pass through a series of ponds to two final storage ponds each of 250,000 m^3 capacity, from where the water will be distributed around the site.

Brine used in the process plant will be recovered from tailings and products in the dewatering facilities and stored in the plant brine tanks. Make-up water will come from the salty runoff water circuit as needed.

Site sewage and wastewater during the operational phase will be managed on site. The wastewater treatment plant will collect and treat all the wastewater from the sewage network of the various site facilities. Discharge of treated water will be at the Barranco de Valdeborro, a ravine located to the north of the mining facility.

Both the on-site and over-site communications systems including those for the underground operations are well defined and adequate.

The communications systems for the site benefit from the proximity of the operations to major regional centres and several smaller municipalities. This allows the option for direct connection to existing suppliers of high-speed internet and line-based systems and good mobile telephone coverage.

During construction, the communications will consist of a fibre-optic link with a high connection speed, supplemented by the provision of a 4G network service. For the operational phase of the Muga Project, a fibre–optic supply will connect the site to the Rocaforte industrial facility.

Communications within the mine will utilise a digital mobile radio network supported by a “leaky feeder system”. Surface communications will initially be via a mobile phone and data system, which will change to a digital radio system in the longer term.

SLR considers that the proposed communications systems and present level of engineering will meet the required communication needs of the Muga Project.

The site is to be perimeter fenced to ensure that there is no unauthorized access. All access will be controlled and managed via two specific security checkpoints, one of which will be in the main entrance to the office areas for the monitoring of all employees and visitors and the other located on the internal access road controlling the access and egress of all deliveries, services, and contractors to the site.

SLR has reviewed the status of the general site surface layout and the supplied design drawings and is of the opinion that the documents demonstrate the required level of engineering and associated detail to proceed to the next phase of the Muga Project.

SLR considers the level of engineering development and detail regarding the general site infrastructure and reticulation networks and the engineering design and detailing for the above ground conveyor transfer towers and other such associated structures to be well developed.

Temporary Tailings Management

It is a condition of the DIA that all salt waste residue must be removed from site within 20 months of the end of mining operations and that the underground mining voids are backfilled within 28 days to mitigate the risks of surface subsidence.

The engineering for the combined Tailings Management System (TMS) has been awarded to PHB Weserhütte. The TMS includes the above ground Tailings Dewatering Facility (TDF), the underground Backfill Distribution System (BDS), and a temporary dry tailings storage facility (TSF) which will store waste until it is all placed underground as backfill within the 20 months after the completion of the potash mining activities as specified in the DIA.

The project will produce vacuum and de-icing salt for commercial sale, generating by-product revenue as well as removing salt waste from site. Dry tailings will be used as mine backfill placed back into underground mining voids, removing salt waste from surface while providing underground support to mitigate subsidence risk.

As the DIA requires all waste to be disposed of underground or removed from the site at the end of mining, the TSF will be a temporary facility. It will provide storage capacity for the mine backfill material when there is insufficient void space available in the mine for the backfill, backfill shutdowns and storage of underground waste from the declines and early mine developments.

Material directed to the TSF will be transported by conveyors and placed into the TSF by a stacking system. During the initial mine development material from the declines and underground infrastructure construction material will be managed with a front-end loader and trucks from the stockpile at the end of the TSF conveyor belt. Since the TSF is a temporary measure and all material contained within will be removed before the end of the mine life, a TSF reclaim system will be required.

The TSF is in the southern area of the surface facilities and will occupy a maximum area of 48 ha with a maximum height of 13.75 m, providing a safety margin above the expected and approved size.

Based on the current mass balance, the maximum area to be used is expected to be approximately 37 ha at a maximum height of 10 m, containing approximately 4.48 Mt of salt waste. In the first 20 years of operation, approximately 3.84 Mt of material will be deposited in the facility.

The TSF has been designed as a waste dump and in line with Spanish regulations relating to landfill waste dumps. The facility has been classified as a Category A dump in accordance with the national regulations on management of wastes from extractive industries.

The slopes of the TSF have been designed with a slope inclination of 18.5º (3H:1V) and will be constructed with a geotextile and HDPE waterproof membrane and lining with underdrainage and leak detection below the lining.

Based upon the dry and bulk density assumptions adopted by Geoalcali in its calculations, it is apparent that there is adequate volumetric storage capacity available within the TSF during its operational life.

SLR Comment

- SLR has reviewed the status of the general site surface layout and the supplied design drawings and is of the opinion that the documents demonstrate the required level of engineering and associated detail to proceed to the next phase of the Muga Project.
- SLR considers the level of engineering development and detail with regard to the general site infrastructure and reticulation networks and the engineering design and detailing for the above ground conveyor transfer towers and other such associated structures to be well developed.

3.1.9 Capital and Operating Cost Estimates

3.1.9.1 Phase 1 Capital Cost Estimate

SLR reviewed the Phase 1 capital cost estimate for the Muga Project (based on the 2023 FS Update and 231106_Mining Cost Model_Vacuum_800th -Clean Version eliminado ExploTarget).

The Phase 1 capital cost is estimated to be €498.30 million (including pre-operational staff), comprising €412.51 million of direct costs, €45.87 million of indirect costs (including Owner's Costs) and a contingency allowance of €39.92 million.

The capital expenditure estimate for the Muga Project is detailed and represents a combination of the scopes of work estimated by various engineering consultants. The estimate has been updated in the 2023 FS Update based on firm bids received from potential contractors. Costs obtained before 2023 have been escalated to 2023 using a simple escalation calculation of 3% per annum.

The capital cost in the Updated Project Description is stated to be based on material take-offs, budget quotes, firm bids, and estimates from first principles based on information from the engineering companies' previous experience.

Geoalcali has indicated that the Muga Project's detailed engineering has been completed, which supports an AACEi Class 3 estimate.

Table 3-11 below summarizes the estimate.

Table 3-11: Project Capital Cost

Summary	Value (€ million)
Construction Costs	217.56
Equipment Purchases	163.70
Fees	31.26
Total Direct Costs	**412.51**
Archaeology & Environmental	0.92
Licences & Permitting	10.32
Land Purchase	9.72
Security	2.28
Port Engineering	0.11
Total Indirect Costs (excl. Owner's Costs)	**23.24**
Project Management (Bovis Owner's support)	9.09
Preoperational Costs	9.03
Technical Department	4.51
Total Owner's Costs	**22.63**
Total Project Costs (excl. Contingency)	**458.38**
Contingency	39.92
Total Project Cost (incl. Contingency)	**498.30**

The updated estimate cost includes sunk costs of €50.19 million up to August 2023.

The value of work awarded up to August 2023 is €137.52 million (including pre-operational staff), or 30.00%, and has been included in the economic model. Approximately 91.44% of the updated estimate is based on competitive bids or fully executed contracts; however, SLR notes that more than 30% of the firm bids are based on bids received before 2023 and escalated to 2023.

Table 3-12 shows the estimate's pricing basis.

Table 3-12: Estimate Pricing Basis

Summary	2023 Pricing (€ million)	2020-2022 Pricing (€ million)	Total (€ million)	% of Total
Contract	61.83	75.68	137.52	30.00%
Offer	196.06	85.55	281.62	61.44%
Budget Quotes	0.00	9.39	9.39	2.05%
Estimated (including Allowances)	15.83	7.96	23.79	5.19%
Unassigned	0.00	6.06	6.06	1.32%
Total (Excluding Contingency):	**265.06**	**193.33**	**458.38**	**100%**
Percentage of Total	57.82%	42.18%		

SLR Comments

- The total Owner's cost for the Muga Project is estimated to be €22.63 million (including pre-operational staff), which is 5.48% of the direct costs. The generally expected range is 4% to 6% of the project's direct costs. Based on current experience of projects in the region, SLR is of the opinion that the estimated Owner's cost is sufficient for a greenfield project.
- Geoalcali has indicated that, due to the high percentage of capital costs based on firm bids and the level of engineering completion, a lower contingency is appropriate. The total contingency percentage applied to direct and indirect costs in the updated estimate is 9.78% of the remaining costs.
- SLR notes that this is below the typical contingency range for an AACE Class 3 estimate and although more than 90% of the costs are based on firm bids or contracts, more than 30% are based on bids received before 2023, which have been escalated to the current date. Based on SLR's experience on current projects in the region, where projects with over 80% contracted value, are still overrunning by more than 15%. SLR has applied a deterministic calculation to the estimate and recommends an additional €9.1 million contingency is applied to increase the total Project contingency to €49.02 million (12.01% of the remaining costs to spend).

3.1.9.2 Phase 2 Capital Cost Estimate

The Phase 2 plant expansion will replicate the Phase 1 plant without the requirement for access roads, site preparation, ponds, declines and mine development, etc. The phase 2 project will add the compacting and glazing unit that will allow the production of GMOP to the SMOP plant installed in phase 1 and will increase the processing capacity from 400 tph to 800 tph.

The Phase 2 capital cost is estimated to be €285.84 million (including pre-operational staff), comprising €225.37 million of direct costs, €34.49 million of indirect costs (including Owner's Costs) and contingency allowance of €25.99 million.

The capital expenditure estimate is based on the estimated costs for the Phase 1 capital project.

As with the Phase 1 estimate, Geoalcali has indicated that the Muga Project's detailed engineering has been completed, which supports an AACEi Class 3 estimate.

Table 3-11 below summarizes the estimate.

Table 3-13: Project Capital Cost

Summary	Value (€ million)
Construction Costs	103.55
Equipment Purchases	121.82
Total Direct Costs	**225.37**
Licencing Consultants	0.27
Conveyor design	0.78
Instrumentation & Control design	0.13
Quality Control	2.81
Other Indirects	19.79

Summary	Value (€ million)
Total Indirect Costs (excl. Owner's Costs)	**23.79**
Project Management (Bovis Owner's support)	5.90
Project Management	4.80
Total Owner's Costs	**10.70**
Total Project Costs (excl. Contingency)	**259.86**
Contingency	25.99
Total Project Cost (incl. Contingency)	**285.84**

SLR Comments

- The total Owner's cost for the Muga Project is €10.70 million, which is 4.75% of the direct costs. SLR is of the opinion that the Owner's cost ratio is sufficient for an expansion project.
- The total contingency percentage applied to direct and indirect costs in the Phase 2 estimate is 10.0% of the remaining costs. SLR notes that this is below the typical contingency range for an AACE Class 3 estimate. Geoalcali has indicated that, due to the high value of costs based on firm bids and the level of engineering completion, a lower contingency is appropriate.
- SLR is of the opinion that, although the estimate is based on the Phase 1 estimate values, the firm bids will not be valid by the time of construction and can therefore only be deemed as budget quotes. SLR recommends an additional €13.0 million contingency to increase the Phase 2 contingency to €38.99 million (15.00% of the remaining costs to spend).

3.1.9.3 Sustaining Capital Cost Estimate

The sustaining capital cost is estimated at €259 million over the LOM (24 years).

The sustaining capital cost includes the following:

- Mining
  - Mining equipment
  - Additional conveyors
  - Underground workshops deferred to year 1 of production
- Process plant
  - Refurbishment of structures, tanks and piping every 15 years
  - Preventive replacement of critical plant equipment components every 15 years
  - Construction of one saline water pond
  - An additional conveyor for ore and de-icing salt to the temporary storage facility
  - Dry deposit surface enlargement
  - Transformers repowering before starting the construction of phase II.
  - Other enhancements in the roads and plant surface

The sustaining capital cost includes €10 million of deferred capital costs, which will not be required for start-up and will be completed during years 1 to 4 after Phase 1 project completion.

The average sustaining capital cost per month over the life of the mine equals €1 million, which is deemed appropriate.

SLR has not identified any concerns with the sustaining capital costs, and no adjustments are recommended.

3.1.9.4 Closure Cost Estimate

The closure cost estimate €11 million is based on a study and high-level estimate.

SLR has not reviewed this but understands that this is based on an estimate prepared by engineering firm, CRS Ingenieria, and that this has been reviewed and accepted by the relevant authorities of Minas Navarra, Minas Aragón and “Ministerio para la transición ecológica y reto demográfico”. As such it is considered an appropriate allowance.

3.1.9.5 Operating Cost Estimate

The operating cost estimates cover the costs related to ore extraction and processing of potash and salt production.

For the 2023 FS Update, the operating costs have been estimated on a €/t of ROM basis, assuming the mining of 173.7 Mt of ROM ore and 27.7 Mt of potash product produced over the LOM.

The mining, processing, and other miscellaneous costs for the Muga Project have been built from first principles, using estimations and quote prices where possible. General and administration (G&A) costs are based on HFR’s experience of indirect costs in Spain.

Mining equipment rebuilds/overhauls, replacements, and fleet additions are included in the sustaining capital estimates, with the timing determined by equipment tonnage milestones set by the original equipment manufacturers (OEMs). Underground sustaining capital cost also includes additional conveyors required as mining extends further from the declines, while plant sustaining capital cost includes replacement of pumps and similar items of equipment.

Table 3-14: Summary C1 Operating Costs

Cost Centre	€/t ROM Ore	€/t KCL
Mining	7.35	46.14
Processing	12.87	80.74
G&A	1.29	8.08
Miscellaneous Costs	0.78	4.92
Environmental & Closure	0.11	0.69
Sustaining Capital	1.57	9.85
Subtotal	**23.97**	**150.42**
By-product Revenue	(6.83)	(42.83)
Total C1 Costs	**17.15**	**107.59**

Mining costs represents around 31% of the total operating costs and include the labour, electricity, consumables and other costs of ongoing mine development relating to drift and gallery development for the mine. The operating cost estimate includes the backfilling costs.

Labour costs have been assessed with reference to the available labour agreements at established mining companies in Spain and the wider region.

For the estimate, a list of the required positions for each of the underground teams has been developed to allow the yearly cost of operational labour to be estimated.

Recruitment of labour starts 12 months before the start of operations and increases to an estimated 410 employees at the start of Phase 1 operations. Of this total, mining requires 253 workers in Phase 1, rising to 398 in Phase 2. Mining crews are based on five 8-hour shifts to cover a 24/7 production schedule. Cost of labour represents 44.6% of the underground mining costs.

Electrical energy is one of the other key mining costs for the underground and represents 13.5% of total underground mining cost. The energy cost has been built up from first principles based on the energy consumption of production equipment needed to achieve the production.

Maintenance and consumables costs represent 28.4% of total underground mining cost and relate to major overhaul costs, spare parts and other maintenance elements of all underground equipment related to ore production.

Costs for exploration and orebody definition drilling are included in the mine operating costs.

Processing costs account for approximately 54% of the total operating costs, based on detailed electricity demand, gas demand, manpower requirements, pumping, engineering and maintenance, and consumables.

Other services represent 10.4% of total aboveground cost or €1.34/t of ROM (€8.41/t of MOP). These mainly include the cost of the logistics company running the potash and salt production storage. The unitary cost per tonne is €3.73/t, based on quotes received from the potential logistic company.

The estimation of operating costs has been carried out in detail from first principles by HFR and are considered reasonable.

3.1.10 Project Risks

During the development of the 2023 FS Update, Highfield has taken steps to reasonably mitigate project risks, however, there are inherent risks in any greenfield mining project like Muga, that cannot be completely mitigated such as:

- Changes to the geological interpretations of the deposit geometry, and seam continuity and thickness.
- Variations in geotechnical, hydrogeological, and mining assumptions.
- Project design impacts as a result of consultations with local residents, communities, and other stakeholders.
- Project engineering and definition changes driven by permitting and licence conditions.
- Construction and ramp up schedule and cost overruns.
- Increases in base unit costs such as labour, energy, materials and consumables.
- Changes to the available market and long-term product price assumptions.

The following risks have been identified by SLR as being of specific note for the Muga Project:

1 Unknown faulting or geological complexity within the potash seams results in reduced reserve tonnage due to geological losses. Highfield intends to mitigate this risk by undertaking closely spaced directional drilling from underground development into the areas of the initial mine life to determine the presence and character of any possible folds and faults.

2 The volume of material to be moved and placed underground by the backfill system is large and the placement need is continuous to avoid any delays to the backfilling of mining voids. There is a risk that the installed system fails to provide the material transport and placement continuity required, possibility due to interface gaps, installation of under capacity equipment or other operational issues. Highfield is mitigating this risk by awarding the engineering, supply and installation of the TMS to one company.

3 The underground production ramp-up to full production in Phase 2 is extended. The risk is somewhat mitigated because some operational experience of underground conditions will have been gained in Phase 1 operations. The Phase 2 plant is a replica of the Phase 1 plant, allowing construction and commissioning learnings and operating experience to be applied.

4 Capital costs increase due to delays to the Financial Investment Decision (FID), underestimated costs, inflation, and design changes during completion of detailed engineering and execution. As far as possible, Highfield has progressed the engineering to an advanced status and obtained firm quotations and awarded contracts to mitigate the risk of cost increases.

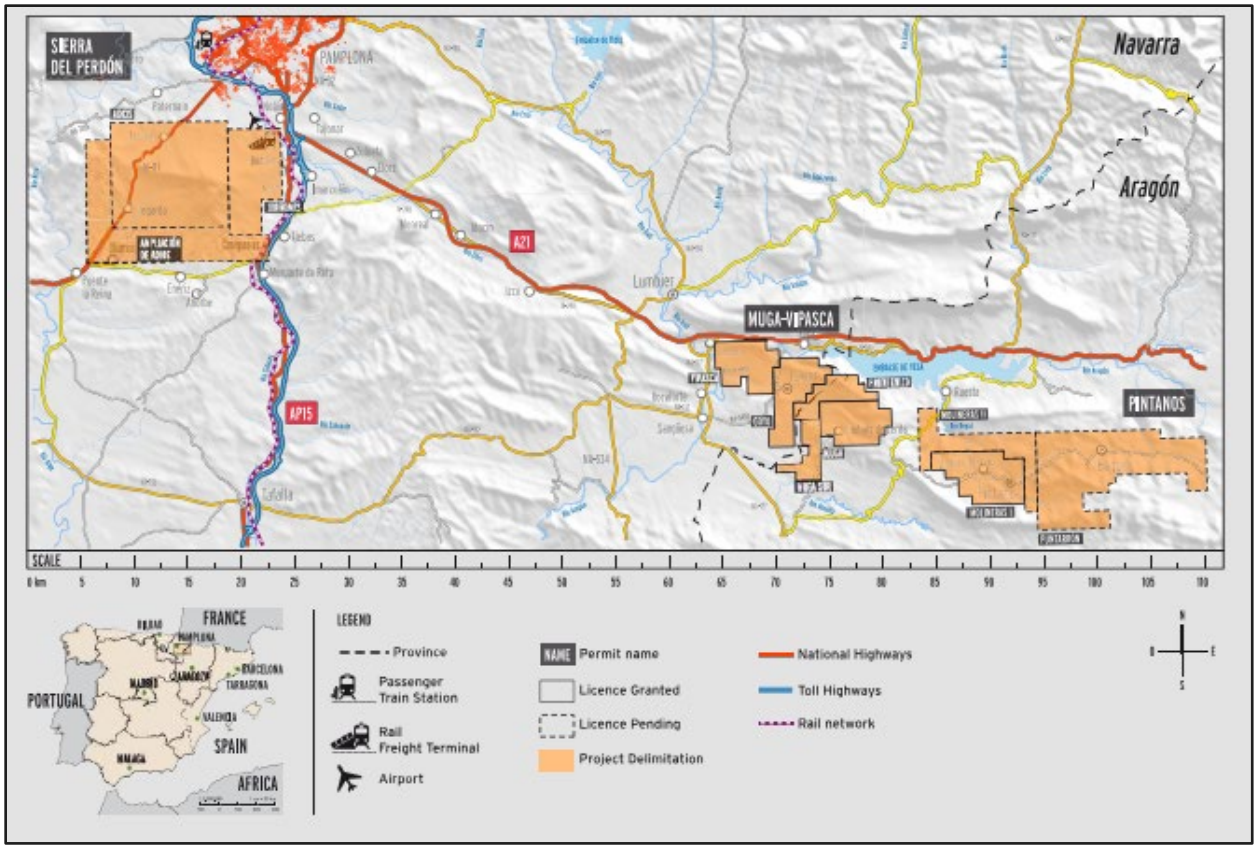
3.2 Sierra del Perdón

The SdP licence is located close to Pamplona and contains potash and salt horizons that were previously mined by open pit and underground methods.

The deposit was discovered in 1950s, and after historical drilling, production began in 1963 at a rate of 250 ktpa of K_2O. Extraction was done on two main levels for sylvite and upper carnallite layers. In the 1970s production moved underground with four different access points (declines / shaft) which permitted mining across most of the near surface deposit. Production continued until 1996-7 when the falling potash price and need for capital investment in infrastructure led to the closure of the mine.

The SdP licence is currently in dispute. In late 2018, Geoalcali was informed that the second three-year extension for the Adiós and Quiñones permits was rejected by the Navarra mining department. Geoalcali appealed in 2019, but no resolution has yet been reached. Similarly, in late 2020, the extension for the Ampliación de Adiós permit was rejected, and Geoalcali has also appealed this decision. In the intervening five year period, no further exploration or work was completed on the licence.

Figure 3-29: Sierra del Perdón and Pintanos Licences

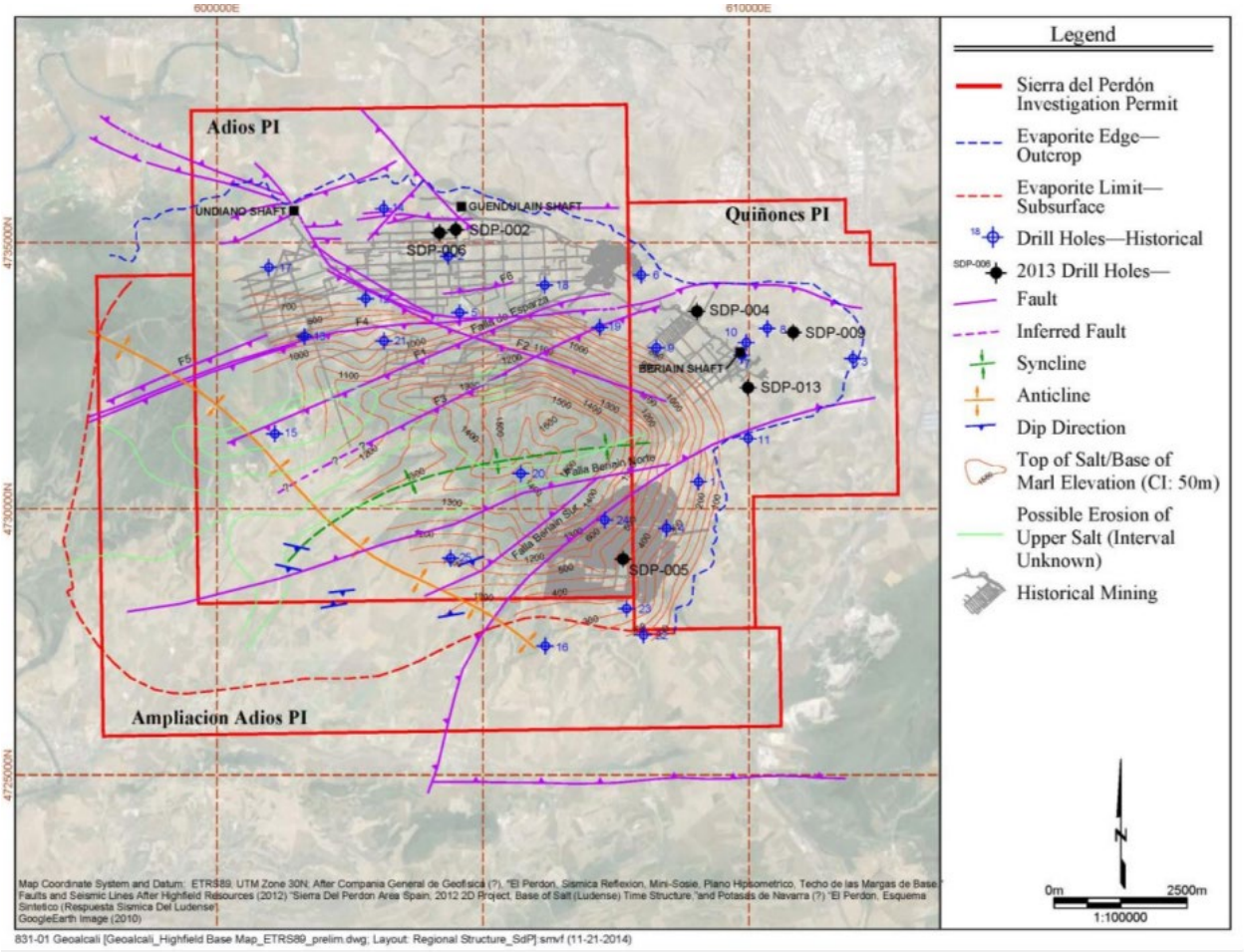


3.2.1 Geology

The SdP sub-basin is one of a series of Upper Eocene potash deposits that are part of the larger Ebro Basin which lies between the Iberian range to the south and the Pyrenees to the north. The SdP basin differs from those further east as the potash beds are predominantly carnallite overlying sylvinite. The basin is affected by paleo highs and lows and subsequent faulting.

The SdP basin is dominated by a northeast-southwest fault system which is pre-evaporitic and has influenced the deposition of the evaporites within the basin. Faults has resulted in uplift in the northern and southeastern areas of then basin, and downthrown areas in the centre. Displacement is from 300 m to 600-800 m in these areas which clearly delineates the basin into near surface and deep areas, Figure 3-30. The evaporites outcrop to the north, east, and southeast and have been historically mined in these areas from the crop. The potash mineralization occurs as two carnallite beds (upper and lower) and a sylvite seam below.

Figure 3-30: Sierra del Perdon Regional Structure and 2013 Drill Holes



3.2.2 Exploration

The SdP area was historically explored in the 1950s and throughout this period and when mining, a total of 25 holes were drilled between 107 m and 1,320 m deep.

In 2013, Geoalcali drilled another six holes, shown on the map. Four of these intersected the upper carnallite, and lower carnallite beds, and three also intersected the sylvite. The other drill holes either did not intercept any of the beds (SDP-009) or were not deep enough (SDP-002, SDP-006). The intercepts were sampled and analyzed at ALS and QA/QC samples were used. The core recovery in three of the six holes drilled was deemed insufficient and therefore those results were not used for the MRE.

Since the MRE was completed in April 2015, an additional five holes were drilled by Geoalcali to confirm the continuity of the potash seams in different sectors of the deposit. Four of these holes intersected the carnallite and sylvite confirming grades of between 8% and 16% K_2O. As of the date of writing, the JORC MRE has not been updated to reflect these interceptions.

3.2.3 Mineral Resource Estimate

Agapito used the historical lithology logs, historical mine workings and 2013 drill hole data to create a 3D geological model of the Sierra del Perdón basin. The estimated resource was the three horizons bounded by the outcrop at surface and open to the west. Intercepts were created

from the samples where they existed, to produce at least 1.5 m composites that were >8% K_2O. Horizon thickness and grade was estimated by inverse distance squared (ID2). Spatial deductions were made for historic workings including a buffer zone, and major faults.

Density was estimated into the model based on the relative modelled fractions of sylvite, carnallite, halite and insolubles ranging from 1.6 t/m^3 to 2.2 t/m^3.

Agapito reported the Mineral Resource in accordance with the JORC Code and considered Indicated Resources to be sylvinite up to 1,000 m from a 2013 drill hole and Inferred Resources to be sylvinite from 1,000 m to 2,000 m from a 2013 drill hole.

The Mineral Resources comprised 41.8 Mt of Indicated Resources at 10.7% K_2O and 40.3 Mt of Inferred Resources at 10.5% K_2O (Table 3-15). Highfield released the MRE for the Sierra del Perdón Project to the ASX on April 7, 2015. Highfield considers this MRE to remain accurate as at December 31, 2023. As the legal status of the project's permits has been uncertain, SLR cannot confirm the ownership of the SdP Mineral Resources without an independent legal opinion.

Table 3-15: Sierra del Perdon Mineral Resources – March 2015

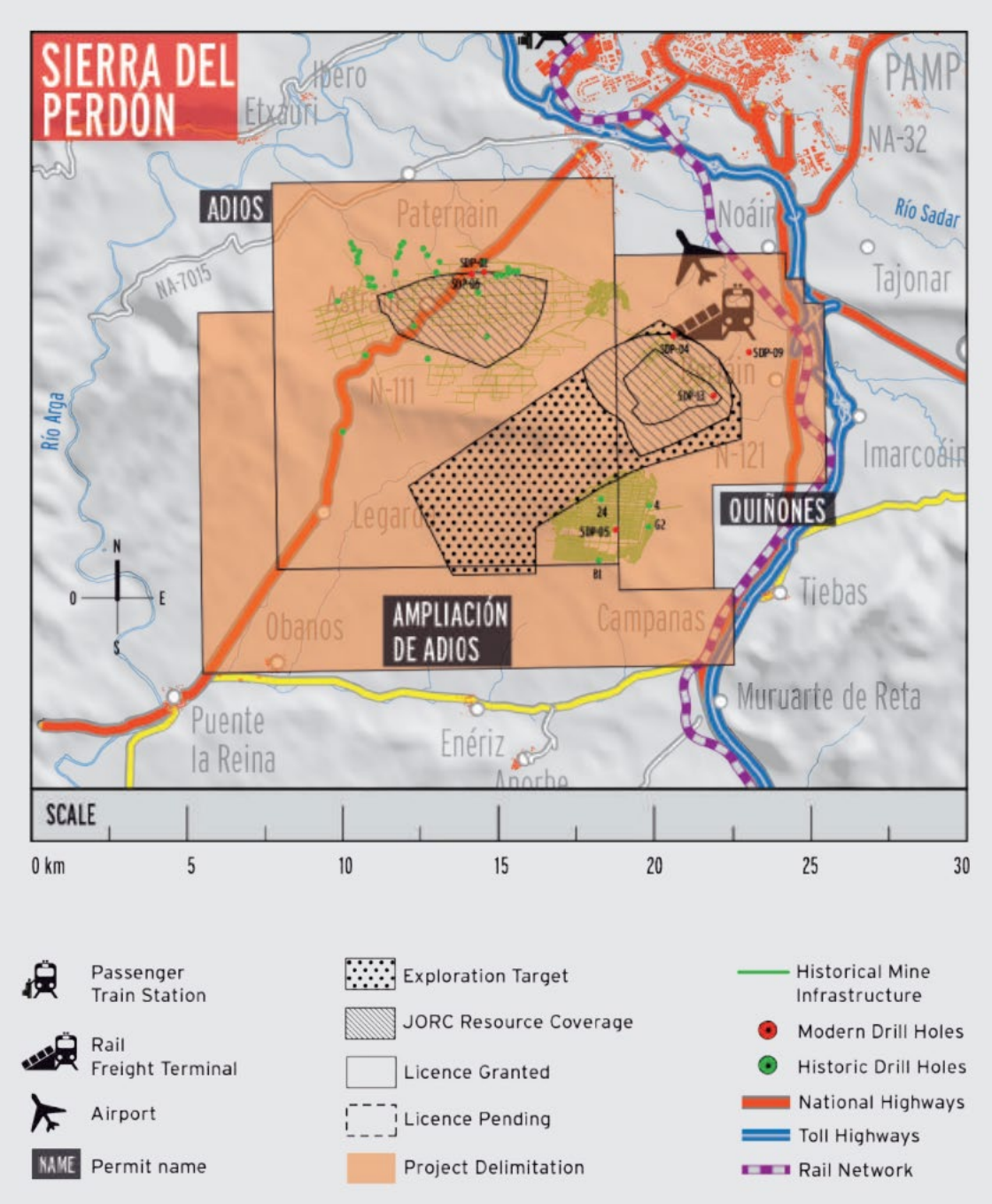
Category	Tonnage (000 t)	Grade (%K_2O)	Contained K_2O (000 t)
Indicated	41,800	10.7	4,470
Inferred	40,300	10.5	4,230

Source: Agapito

Notes:

1. Definitions in the JORC Code were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 8% K_2O at a true thickness at or above 1.5 m or a grade-thickness cut-off of 12% K_2O-m at a true thickness below 1.5 m
3. Mineral Resources are reduced by 15% for unknown geologic anomalies
4. Bulk density is variable per potash seam ranging from 1.6 to 2.2 t/m^3.
5. Indicated Resources are between 0 m and 1,000 m of a modern drill hole with assays. Inferred Resources are between 1,000 m and 2,000 m radius of a modern drill hole with assays or within 2,000 m of a historical drill hole.
6. Mineral Resources are inclusive of Ore Reserves.
7. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Figure 3-31: Sierra del Perdón Licence and Extents of the 2015 Mineral Resource



3.3 Pintanos

The Pintanos basin is located to the east of the Muga-Vipasca basin as shown in Figure 3-32. It contains the same horizons, which occur between 500 m and 2,000 m below surface.

The Pintanos tenement area comprises the three permits of Molineras 1, Molineras 2, and Puntarrón, covering an area of 65 km². The drilling permit at Molineras 1 was extended for three years in 2020, and an additional one-year extension was requested in 2023 to complete the

works in the area, which was granted in early 2024. Geoalcali re-initiated the application process for the drilling permits at Molineras 2 and Puntarrón in 2019 and continues to await the award of the permit from the authorities. SLR notes that it is unclear whether Geoalcali currently possesses valid permits for Molineras 2 and Puntarrón.

3.3.1 Geology

The geology of the Pintanos Project area includes significant potash deposits within the larger Jaca-Pamplona Basin. This deposit is primarily located in Aragón province and consists of a 100 m thick sequence from the Upper Eocene period, characterized by alternating layers of claystone and evaporites, including anhydrite, halite, sylvite, and carnallite. These evaporite formations accumulated in an elongated basin along the southern Pyrenean foreland. Initially under open marine conditions, the environment transitioned to a restricted setting conducive to extensive evaporation, which led to the deposition of marls, gypsum, halite, and potassium salts.

The area's tectonic activity has resulted in complex geological structures, with broad anticlines, synclines, and overturned beds due to significant salt deformations. The continued tectonic compression from the Eocene into the Oligocene further influenced sedimentation and the isolation of the basin, creating favourable conditions for potash mineralization in various horizons across the deposit.

3.3.2 Exploration

Exploration and drilling activities at the Pintanos Project have involved historical and recent drilling programs aimed at assessing potash resources in the area. Historical drilling in the late 1980s and early 1990s by Empresa Nacional Adaro led to initial resource data, with detailed lithology logs and assays recorded. In 2014, Geoalcali initiated a modern drilling program to enhance this data, drilling four additional core holes, bringing the total to eleven.

During the March 2017 quarter, two new diamond core holes, P16-03 and P13-06, were drilled. P16-03, targeting deeper mineralization in the northeastern extent, intersected 19.2 m of potash with an average grade of 6.31% K_2O. Drill hole P13-06, located on the western boundary near the Ruesta Fault, did not intersect potash, possibly due to mineralization washout caused by historical water flow through fault zones.

3.3.3 Mineral Resource Estimate

Pintanos is a greenfield project that contains a Mineral Resource estimated in 2017 by Independent Consultants in Natural Resource Management, Inc. (CRN). The estimate was based on 11 drill holes completed between 1980 and 2017. The MRE was prepared and reported in the ASX Additional Information section of the HFR annual report for the year ended June 30, 2017. The 2017 Annual Report names Mr. José Antonio Zuazo Osinaga and Mr. Manuel Jesús Gonzalez Roldan from CRN, S.A. as Competent Persons for the Pintanos MRE update in 2017.

Highfield reported an Inferred Resource of 70.7 Mt at 11.9% K_2O for a total of 8.41 Mt contained K_2O (Table 3-16). The Mineral Resource occurs in potash beds P0, PA, and PB, at least over an area spanning approximately 7 km^2. The Mineral Resource ranges in depth between 500 m and 1,200 m deep. Tonnages are estimated using variable bulk density of 2.12 g/cm^3 based on bulk density assays from core samples. The minimum thickness applied for reporting resources was 1.5 m and the minimum grade was 8% K_2O.

Table 3-16: Pintanos Mineral Resources – June 2017

Category	Tonnage (000 t)	Grade (%K_2O)	Contained K_2O (000 t)
Inferred	70,700	11.9	8,410

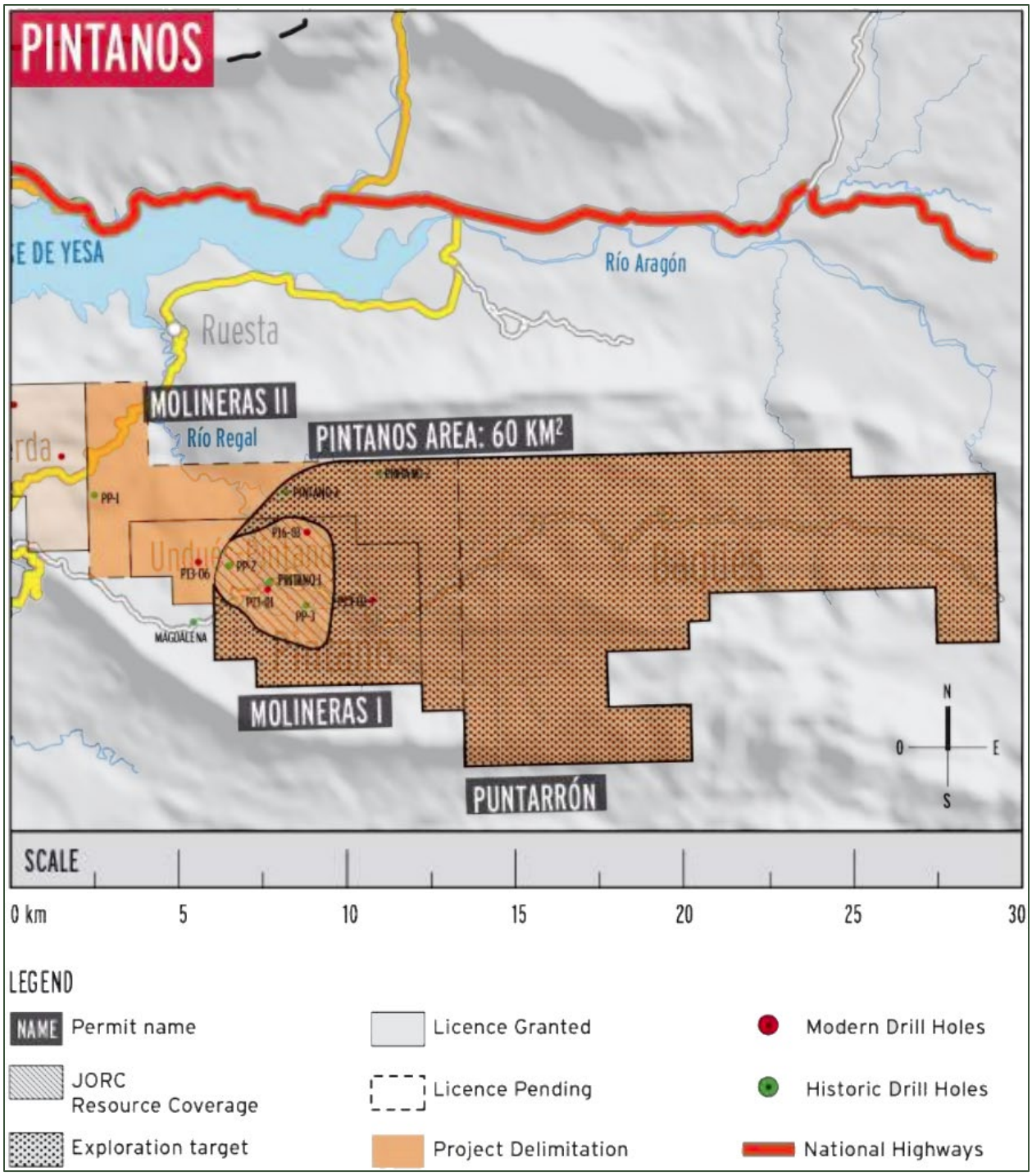
Source: CRN 2017

Notes:

1. Definitions in the JORC Code were followed for Mineral Resources. The Competent Persons for the Mineral Resource Statement were Mr. José Antonio Zuazo Osinaga and Mr. Manuel Jesús Gonzalez Roldan from CRN, S.A.
2. Mineral Resources are estimated at a cut-off grade of 8% K_2O.
3. Mineral Resources are those between 500 m and 1,200 m below surface.
4. A minimum mining width of 1.5 m was used for potash seams to be mined separately.
5. Bulk density is variable per potash seam averaging 2.12 t/m^3.
6. Mineral Resources are inclusive of Ore Reserves.
7. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Figure 3-32 shows the drilling and extents of the Mineral Resource in relation to the licence.

Figure 3-32: Pintanos Licence and Extents of the 2017 Mineral Resource



3.4 Valuation – Muga Project and Other Spanish Properties

3.4.1 Valuation Summary and Conclusions

SLR has applied the Comparable Transactions Analysis for the valuation of the Inferred Mineral Resources and the Exploration Targets (or Potential Resources) at the Muga, Sierra del Perdón, and Pintanos properties. This approach utilizes a US$/t K_2O metric based on similar transacted potash properties. SLR has derived ranges of US$/t K2O to apply to less advanced properties with Mineral Resources and to Exploration Targets (Potential Resources).

- Mineral Resources on Less Advanced Properties: US$0.05/t to US$0.06/t of K_2O.
- Exploration Potential: For areas with exploration potential but insufficient data for an Inferred Mineral Resource, SLR applied 50% of the US$/t K_2O range for less advanced properties, or US$0.025/t to US$0.030/t of K_2O.

The following areas have been valued under these parameters:

1) Exploration Target (Potential Resources), Muga Project
2) Sierra del Perdón Project
3) Pintanos Project

3.4.1.1 Valuation of Exploration Target (Potential Resources), Muga Project

The Muga Project's Exploration Target is estimated to contain between 6.4 Mt and 13.0 Mt of K_2O. For valuation purposes, SLR has applied 50% of the valuation range for less advanced properties, resulting in a range of US$0.025/t to US$0.030/t of K_2O. The valuation for this target thus ranges from US$0.16 million to US$0.39 million.

3.4.1.2 Valuation of Sierra del Perdón Project

Due to ongoing legal disputes concerning key permits (Adiós, Quiñones, and Ampliación de Adiós), SLR has determined that assigning a fair market valuation to the Sierra del Perdón project is currently not feasible. As such, SLR recommends attributing no value to Sierra del Perdón at this time.

3.4.1.3 Valuation of Pintanos Project

The Pintanos Project includes an Inferred Mineral Resource of 8.41 Mt K_2O, situated on the Molineras 1 permit, which remains in good standing. For valuation, SLR has applied a range of US$0.05 to US$0.06/t of K_2O, aligned with less advanced properties. This yields a total valuation range for Pintanos of US$0.42 million to US$0.50 million.

The Pintanos exploration potential hosted on the Molineras 1 permit is estimated to contain between 4.6 Mt and 32.3 Mt of K_2O. For valuation purposes, SLR has applied 50% of the valuation range for less advanced properties, resulting in a range of US$0.025/t to US$0.030/t of K_2O. The valuation for this target thus ranges from US$0.11 million to US$0.97 million.

For the three areas valued by SLR the total valuation range is US$0.69 million to US$1.86 million.

3.4.2 Key Assumptions, Risks, and Limitations

For the purposes of this valuation, SLR has made the following assumptions, interpretations, and estimates:

- SLR has relied on data and information provided by Geoalcali, along with its parent and subsidiary entities. This includes mineral tenure information, locations, and current status.
    - The unresolved legal status of permits in Sierra del Perdón and certain parts of Pintanos restricts the ability to confidently assign a fair market value to these properties. Any future legal changes could alter the valuation outcomes.
- SLR has used information in the public domain and in the proprietary S&P Global Market Intelligence (S&P) database to which it subscribes.
    - There is a limited pool of comparable potash transactions, requiring an extended search period (2008-2020) and necessitating adjustments for potash price variations over time. This limited dataset increases the potential for error in market comparability.
- The Valuator has not visited the Property that is the subject of this valuation.
- This valuation does not include any consideration of environmental liabilities that may be associated with the Muga, Sierra del Perdón and Pintanos properties.
- Potential limitations impacting the depth of this valuation report may include time constraints associated with the conditional placement process, which have restricted the extent of data analysis as it pertains to exploration potential estimates of tonnes and grade.
- For this valuation, SLR has assumed that the Property could be explored and that any economic deposits discovered could be permitted for development under the regulatory framework in the Provinces of Navarra and Aragón.
- Highest and Best Use (HBU) is a valuation concept that would produce the highest value for an asset. The HBU must be physically possible, financially feasible, legally allowed, and result in the highest value (International Valuation Standards 140). For the valuation of the Property, SLR has considered only the value of mineral rights or subsurface rights that adhere to the mineral tenures and has not considered other possible uses or values such as surface rights, water rights, timber rights, etc., that may also be vested in the Property or parts of the Property.

3.4.3 Valuation Approach and Methodology

As in other fields, the three main approaches to the valuation of mineral properties are Market, Income, and Cost approaches.

3.4.3.1 Comparable Transactions Analysis

The value of a non-producing mineral property depends on its perceived potential for the existence and discovery of an economic mineral deposit. The potential in turn depends on several factors that must be considered when choosing market comparables. These comparability factors include such items as geology, mineralization, stage of exploration and results, mineral resources, location and geography, and political jurisdiction. The date of the

market comparables must be within a reasonable time period of the valuation date of the subject property. The method is described in articles by W.E. Roscoe (2003 and 2007).

Although it is difficult to find good market comparables due to the unique nature of mineral properties, these difficulties are compensated for by analysing a number of transactions on similar properties to develop a range of values for the subject property.

For valuation purposes, market comparables can be expressed in terms of total property value, value per unit area (e.g., US$ per hectare), or value per unit of metal or other commodity contained in Mineral Resources (e.g., US$ per ounce of gold, or US$ per tonne of K_2O).

For market transactions on exploration properties without Mineral Resources, a US$/ha value can be calculated by dividing the property value by the property size in hectares. If the transaction is for less than 100% of the property, the transaction value is normalized to a 100% interest.

For market transactions on Mineral Resource properties with a single metal or other commodity, a value per unit of the metal or commodity can be calculated from the value of the transaction and the ounces or pounds of metal in the resource estimate. The value per unit can also be expressed as a percentage of the metal or commodity price at the time of the transaction. Alternatively, the value per unit can be adjusted to by the ratio of the commodity price at the transaction date to the price at the valuation date.

The market comparable ratios (US$/ha, US$/oz, US$/t, etc) are further analyzed to derive a range of unit values to apply to the subject property to estimate a range of values.

3.4.3.2 Option Agreement Terms Analysis

The Option Agreement Terms Analysis Method is utilized to value many properties used as market comparable transactions. The method is described in articles by W.E. Roscoe (2003 and 2007).

Most market transactions on non-producing mineral properties are not forthright cash or share deals, but rather are typically option, earn-in, or joint venture agreements whereby one party obtains the right to earn an interest in the property from another party by fulfilling certain commitments over a period of time. The terms of the option or earn-in agreement must be analyzed to estimate a value for the property being transacted.

In a typical option agreement, a schedule of firm and optional commitments must be fulfilled to earn an interest in the property. The commitments may include payment of cash, issue of shares by the earn-in party, expenditures on mineral exploration, and royalties on production. In general, the commitments are firm in the first year and optional in subsequent years.

Option Agreement Terms Analysis considers the firm commitments to contribute 100% to the value of the property. The optional commitments are assigned a subjective probability of the earn-in party fulfilling each of the annual commitments in the subsequent years of the agreement. The optional commitments multiplied by the probability factor for each year are considered to be the contribution to value. The transaction value is the sum of the firm commitment values and the probability-weighted optional commitment values. If the transaction is for a partial interest in the property, the value is adjusted to a 100% interest in the property.

3.4.3.3 Comparable Transaction Analysis

For the valuation of the Inferred Mineral Resources and the Exploration Targets (or Potential Resources) of the Muga, Sierra del Perdón, and Pintanos projects, SLR used Comparable Transactions Analysis, which is a Market Approach.

SLR has compiled information on transactions on potash properties with Mineral Resources with and without Ore Reserves (Mineral Reserves) using the S&P Global Market Intelligence database that SLR subscribes to. Information on each property was compiled on transaction value. Some were asset transactions, and some were corporate transactions, and consideration was cash, shares, or a combination. If the transaction was for less than a 100% interest, the transaction value was adjusted to a 100'% interest. Information was compiled on in place Mineral Resources (Measured, Indicated, and Inferred), which in some cases included Proved and Probable Ore Reserves. For each transacted property, the value in US$/t K_2O was calculated from the transaction value in US$ divided by total tonnes of K_2O contained in the Mineral Resources.

Fourteen transactions were found on potash properties in Canada, USA, Ethiopia, UK, Kazakhstan, and Russia over the period 2008 to 2020. Initial review of the transactions for comparability resulted in elimination of six as not being sufficiently similar to the Muga Project. Reasons include project located in non-Western political jurisdictions (Ethiopia, Kazakhstan, and Russia) and project under construction (UK). Projects that have reached the construction stage or are in production tend to have higher values per unit of commodity than those at earlier stages of development.

Of the eight retained transacted properties, six are in Saskatchewan, Canada and two are in Utah and Colorado, USA. One property in Utah and Colorado had only potential resources and was eliminated from further analysis. Table 3-17 lists information on the seven remaining properties.

Characteristics of the four properties with the highest US$/t K_20 values are described in Section 2.13.4 above. These properties appear to be more advanced than the three properties with lowest US$/t values. For valuation of the Inferred Mineral Resources and the Exploration Targets (or Potential Resources) of the Muga, Sierra del Perdón, and Pintanos projects, SLR has used only the three transactions with the lowest US$/t values, since they appear to be more comparable to the stage of the Spanish properties. Information on these properties is summarized below.

Milestone Property

The Milestone property had a Scoping Study for a pilot study at the time of the transaction, which superseded a previous FS. Grade of the Mineral Resources at approximately 13% to 16% K_2O is relatively low compared to the Southey average grade of approximately 19% K_2O, which may explain at least in part the relatively low value of $0.061/t K_2O (adjusted by price).

Muskowekwan Property

The Muskowekwan property has the second lowest transaction value at US$0.048/t K_2O. The deal value, normalized to 100% interest, of only $24 million, appears to be anomalously low compared to the deal values of the other transactions that range upwards from $119 million. At the time of the transaction, Encanto Potash Corp. appeared to be in financial difficulties with a working capital deficiency of $26.7 million on June 30, 2020. The company had lost its TSX Venture listing in March 2020, and expressed concern about its ability to continue as a going concern. The transaction therefore appears to be done under stress and need for financing and may represent less than market value.

Monument Property

The Monument property contains potash mineralization within the Paradox Basin of southeastern Utah and southwestern Colorado. It was at an early stage of exploration at the time of the transaction in early 2016 and an Inferred Mineral Resource and a Potential Resource were estimated based on seismic data and one test well drilled in 2014. Sennen Resources Ltd, acquired the 30% of the property it did not already hold in the 2016 transaction and wrote off all expenditures on the property in 2017. It appears to be an outlier in the sense that the Mineral Resource estimate and deal value are relatively small compared to the other transacted properties.

Due to the general scarcity of suitable transactions on potash properties, SLR had to search over a longer than usual time period, in this case back to 2008. To account for the long time period, SLR has adjusted the US$/t values by the ratio of the current potash price to that at the time of the transaction. The KCl price at the transaction date is shown in the fourth column and the adjusted US$/t value is shown in the last column. This resulted in less variability in the US$/t data, as measured by the coefficient of variability (CV; standard deviation divided by the average). The adjusted US$/t values are used for the following further analysis.

SLR has calculated statistics of the US$/t data and other parameters as shown in Table 3-17. The adjusted US$/t values range from US$0.033 to US$0.795 with average of US$0.28 and median of US$0.0.16. Our analysis indicates that the US$/t data can be divided into two groups: a higher group of four, and a lower group of three.

The higher group of four appears to generally represent more advanced properties, two of which (Wynyard and Legacy) contain Reserves and well as Resources. For the higher group, US$/t values range from US$0.16 to US$0.795 with an average of US$0.45 and median of US$0.43.

The lower group of three appears to generally represent less advanced properties with much lower US$/t K_2O values. One property contains a small proportion of Reserves (Muskowekwan), but the group is dominated by properties with only Resources. For the lower group, US$/t values range from US$0.033 to US$0.061 with an average of US$0.047 and median of US$0.048. If the lowest US$/t in the group, which appears to be an outlier, is excluded, the US$/t range is 0.048 to 0.061 and the average and median are both US$0.055/t.

Based on these statistics and the US$/t values of the lower group, SLR recommends a range of US$0.05/t to US$0.06/t of contained K_2O to apply to less advanced properties with Mineral Resources and half of these values, or a range of US$0.025 to US$0.03, to apply to properties with Exploration Targets (or Potential Resources).

Table 3-17: Muga Comparable Transactions Analysis for Properties with Potash Resources and Reserves

Property Name	Location		Transaction Date	KCl Price US$/t	Equity Earned (%)	Buyer	Seller	Tonnes of In Place K2O	Deal Value (100% Basis) (US$)	Value US$/tonne K2O	$/t K2O Adjusted to Current Price
Burr	SK	Canada	28-Jan-10	389.38	100.00%	BHP Billiton Canada	Athabasca Potash	297,014,343	320,368,283	1.079	0.795
Jansen	SK	Canada	12-May-08	546.00	25.00%	BHP Billiton Diamonds	Anglo Potash	1,043,763,401	1,130,798,328	1.083	0.569
Wynyard	SK	Canada	10-Jan-13	395.00	19.98%	Gujarat State Fertilizers	Karnalyte Resources	556,420,560	226,900,329	0.408	0.296
Legacy	SK	Canada	22-Nov-10	322.50	100.00%	K+S	Potash One	2,435,613,318	425,991,362	0.175	0.156
Milestone	SK	Canada	16-Sep-15	301.50	51.00%	Beijing Tairui Innovation	Western Potash	1,847,810,200	119,060,907	0.064	0.061
Muskowekwan	SK	Canada	31-Aug-20	202.50	22.96%	ESG Global Impact	Encanto Potash	716,227,120	24,378,489	0.034	0.048
Monument	UT	USA	4-Mar-16	301.50	30.00%	Sennen Potash	Paradox Basin Resources	50,765,680	1,753,333	0.035	0.033
		Sept 30, 2024 KCL price US$/t		286.88							
					All Transactions		Average	992,516,375	321,321,576	0.411	0.280
							Median	716,227,120	226,900,329	0.175	0.156
							Std Dev	861,569,820	388,658,611	0.476	0.296
							CV	87%	121%	116%	106%
					Highest four $/t		Average	1,083,202,905	526,014,575	0.686	0.454
							Median	800,091,980	373,179,822	0.743	0.433
							Std Dev	953,268,324	411,310,005	0.466	0.285
							CV	88%	78%	68%	63%
					Lowest three $/t		Average	871,601,000	48,397,576	0.044	0.047
							Median	716,227,120	24,378,489	0.035	0.048
							Std Dev	908,541,707	62,233,063	0.017	0.014
							CV	104%	129%	39%	30%
					Lowest three $/t without lowest		Average	1,282,018,660	71,719,698	0.049	0.055
							Median	1,282,018,660	71,719,698	0.049	0.055
							Std Dev	800,150,069	66,950,580	0.021	0.009
							CV	62%	93%	44%	17%

Recommended Range of $/t K20 Values - adjusted by potash price

Less advanced resource properties	**US$0.05 to 0.06 per tonne**
Potential Resources (50%)	**US$0.025 to 0.030 per tonne**

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3.4.4 Valuations of Assets

3.4.4.1 Muga Project

The HFR LOM plan for Muga, used to support the discounted cash flow (DCF) analysis, is based on the Measured and Indicated Mineral Resources totalling 237.3 Mt, as well as 44.9 Mt of Inferred Mineral Resources.

The HFR economic model is based on 174.3 Mt of ROM ore. This includes Ore Reserves, Measured and Indicated Mineral Resources, some Inferred Mineral Resources and material from exploration targets along the trend of Muga's Mineral Reserves. Refer to Table 3-4.

SLR has recommended that the Discounted Cashflow (DCF) analysis used in the Income Approach valuation by Grant Thronton should exclude any potential r tonnage from exploration targets.

A separate valuation of the exploration potential that is not incorporated within the Income Approach of the Income Approach methodology has been prepared by SLR.

Valuation of the Muga Exploration Target

The Muga Exploration Target (or Potential Resource) as shown in Figure 3-10 does not meet the criteria for an Inferred Mineral Resource but does have the potential to become a Resource when sufficient supporting data are collected. As such, for valuation of the Exploration Target, SLR recommends applying 50% of the US$/t range for less advanced properties in Table 3-17, or US$0.025/t to US$0.030/t of contained K_2O.

Table 3-18 shows the application of this value range to the Muga Exploration Target. As noted within the Highfield Resources Feasibility Study (2023), the Exploration Target is expressed as a range of 80 Mt to 130 Mt with a grade range of 8.0% to 10.0% K_2O.

The potential range of contained K_2O is 6.4 Mt to 13.0 Mt. Application of the US$/t range of US$0.025 to US$0.030 results in a value range of US$0.16 million to US$0.39 million.

Table 3-18: Valuation of Muga Exploration Target

Exploration Target Estimate					
Tonnage Range (Mt)		Grade Range (%)		Contained K_2O Range (Mt)	
Low	High	Low	High	Low	High
80	130	8.0	10.0	6.4	13.0
Valuation of Exploration Target					
Range of Contained K_2O (Mt)		Range of US$/t Values		Range of Values (US$ million)	
Low End	High End	Low end	High End	Low end	High End
6.4	13.0	0.025	0.030	0.16	0.39

3.4.4.2 Sierra del Perdón

Highfield has publicly disclosed that the legal status of the Adiós, Quiñones, and Ampliación de Adiós permits remains unresolved.

This uncertainty affects SLR's ability to attribute resources accurately in a fair market valuation. SLR recommends that no value be assigned to Sierra del Perdón at this time.

3.4.4.3 Pintanos

Highfield has publicly disclosed that the legal status of the Molineras 2 and Puntarrón permits remains unresolved. This uncertainty may affect the ability to attribute resources accurately in a fair market valuation. As confirmation of ownership would require an independent legal opinion, SLR recommends that no value be assigned to the Molineras 2 and Puntarrón permits at this time.

As the Mineral Resources for Pintanos are contained on the Molineras 1 permit HFR states as being in good standing for 2024, a value should be assigned to the 8.41 Mt contained K_2O that has been defined on the permit.

As such, for valuation of the Pintanos Mineral Resource, SLR recommends the US$/t range for less advanced properties in Table 3-17, or US$0.05/t to US$0.06/t of contained K_2O.

Table 3-19 shows the application of this value range to the Pintanos Mineral Resources The total value range for Inferred Resources at Pintanos is US$0.42 million to US$0.50 million.

Table 3-19:Valuation of Pintanos Mineral Resources

Category	Tonnage (000 t)	Grade (% K_2O)	Contained K_2O (000 t)	Range of US$/t Values		Range of Values (US$ million)	
				Low End	High End	Low End	High End
Inferred	70,700	11.9	8,410	0.05	0.06	0.42	0.50

In addition to detailing the Mineral Resources for the Pintanos project, the aforementioned Highfield annual report for the year ending June 30, 2017, also provides an exploration potential range of tonnage and grade for the property. The estimated potential ranges from 343 Mt to 1,565 Mt, with grades between 10% and 15.4% K_2O. This implies a total of 34.3 Mt to 241 Mt contained K_2O across the entire Pintanos property, which includes the Molineras 1, Molineras 2, and Puntarrón permits.

SLR estimates that about 13.4% (by area) of the contained K_2O falls within the Molineras 1 permit, excluding the Mineral Resources already hosted there. Therefore, the exploration potential for the Molineras 1 permit alone ranges from 4.6 Mt to 209.7 Mt at grades of 10% to 15.4% K_2O, totalling a contained K_2O range of 4.6 Mt to 32.3 Mt.

SLR recommends applying 50% of the US$/t range for less advanced properties in Table 3-17, or US$0.025/t to US$0.030/t of contained K_2O.

Table 3-20 shows the application of this value range to the Pintanos exploration potential. Application of the US$/t range of US$0.025 to US$0.030 results in a value range of US$0.11 million to US$0.97 million.

Table 3-20: Valuation of Pintanos Exploration Target

Exploration Target Estimate					
Tonnage Range (Mt)		**Grade Range (%)**		**Contained K_2O Range (Mt)**	
Low	**High**	**Low**	**High**	**Low**	**High**
4.6	209.7	10	15.4	4.6	32.3
Valuation of Exploration Target					
Range of Contained K_2O (Mt)		**Range of US$/t Values**		**Range of Values (US$ million)**	
Low End	**High End**	**Low end**	**High End**	**Low end**	**High End**
4.6	32.3	0.025	0.030	0.11	0.97

4.0 Closure

SLR would like to thank the client for the opportunity to work on the Projects. Should you have any questions, please do not hesitate to contact us at any time.

Yours sincerely,

SLR Consulting (Canada) Ltd.

"signed"

David M. Robson, P.Eng.
Principal Mining Engineer/Project Manager

"signed"

David J. F. Smith, CEng.
Global Technical Director – Mining/Project Director

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6.0 Appendix 1 JORC Table 1 Southey Project

Section 1 Sampling Techniques and Data

Criteria	Commentary
Sampling techniques	The information refers to the seven holes completed and referenced in the 2013 NI 43-101. No information was provided on the subsequent nine holes completed in 2014 in the Feasibility Study (FS). However, the work appears to be completed by the same company, North Rim Exploration Ltd. (North Rim), which makes it unlikely there are any material differences in methodology or approach in the later drilling campaign. The evaporite sequence was cored and placed in plastic bags in the core boxes to protect the core and limit exposure to water whilst it was transported to the core store. The core store has strictly controlled temperature and humidity to stop the deterioration of the potash samples and ensure their representativity. The drill holes were geophysically logged by Weatherford (Calgary, Alberta) using a sonde for natural gamma, density, neutron and photoelectric effect on completion, ensuring the hole went beyond the lowest Esterhazy member. No information has been provided on how and when the tools were calibrated during the program so the reliability and representativity of these measurements is unclear. Additionally, no geophysical logs were provided to SLR for review. The core markings were depth corrected at the North Rim core storage facility in Saskatchewan using the geophysical logs before sampling. This ensured the location of the samples was accurate and represented the correct units at the correct depths. The geophysical logs also provide information on the potash content where core was lost (or not geochemically sampled) from the gamma readings and the continuous sampling helps establish if the core produced and sampled was representative of the unit in these instances. Twenty-two whole core samples were selected from drill hole YCR3 (4-30-24-18W2) for analysis of geomechanical dissolution properties (11 primary and 11 backup). The samples chosen were at least 30 cm long and were as homogenous as possible from the different mining horizons. They were wrapped in plastic and sent to DEEP Underground Engineering in Germany for analysis. The samples that were not used were halved lengthways and returned to North Rim for sampling and geochemical analysis. Directional tape was fixed to the samples so the core could be referenced and placed back in the core trays in their true position. The evaporite core was then continuously sampled at 0.3 m intervals in the potash bearing units and 0.5 m in the interburden and salt units for geochemical analysis. Sampling was completed 2 m beyond the boundaries of the evaporite sequence to ensure that all the mineralization was sampled and therefore accurately represented. The core was halved lengthwise and a half core sample placed in a plastic sample bag (to protect against moisture). The samples were prepared for geochemical analysis by crushing to 60% at -2 mm and 100 g to 200 g sub-sample split out using a riffler. The sub-sample is pulverized to 90% at -106 µm using a puck and ring grinding mill. SLR considers that the approaches taken have tried to maximize the representativity of the geochemical samples from the drill holes and the main gaps are seen where selective sampling has taken place in YCR3 as whole core samples were needed for dissolution studies.
Drilling techniques	The information refers to the seven holes completed and referenced in the 2013 NI 43-101. No information was provided on the subsequent nine holes completed in 2014 in the FS. However, the work appears to be completed by the same company, North Rim, which

Criteria	Commentary
	makes it unlikely there are any material differences in methodology or approach in the later drilling campaign. The holes were drilled from surface with a 349 mm bit using gel chemical drilling mud to an approximate depth of 180 m where 244.5 mm surface casing was cemented in the hole. Beyond this, a 222 mm diameter borehole was drilled with brine drilling mud from the surface casing to the core point, between 5 m and 30 m above the Prairie Evaporite formation. This was set and cemented with 177.8 mm intermediate casing. From this point the sequence was diamond drilled with a 156 mm bit vertically to perpendicularly intersect the potash units which occur sub-horizontally across the licence area. Mineral oil drilling fluids were used when coring the evaporite sequence to ensure that the rocks were not dissolved by the drilling method. The telescoping drilling and casing made sure that the drill holes were stable and large diameter core was produced from the potash at depths of between 1,200 m and 1,300 m below surface.
Drill sample recovery	The information refers to the seven holes completed and referenced in the 2013 NI 43-101. No information was provided on the subsequent nine holes completed in 2014 in the FS. However, the work appears to be completed by the same company, North Rim, which makes it unlikely there are any material differences in methodology or approach in the later drilling campaign. Mineral oil drilling fluids and large diameter core was used to ensure good recovery rates for samples and a minimum mass was available for analysis. The core was not broken unless necessary to fit in core trays to minimize sample loss. The core recovery measurements were supervised by the North Rim geologists at the rig and involved measuring the individual pieces of core in the drill interval. The length of the interval was provided by the drillers. It is not stated that the core trays were weighed to check the relative core recoveries or any methods used by the drillers to monitor core loss.
Logging	The information refers to the seven holes completed and referenced in the 2013 NI 43-101. No information was provided on the subsequent nine holes completed in 2014 in the FS. However, the work appears to be completed by the same company, North Rim, which makes it unlikely there are any material differences in methodology or approach in the later drilling campaign. SLR has reviewed the strip log for YCR2 and YCRN provided in the North Rim and 2016 FS reports respectively. It is evident that the geology has been logged to give, as a minimum, formation lithology. The core is also photographed after sampling. The lithology, geochemical analysis, and downhole geophysics show good correlation and clearly identify the main mineralized units at a scale appropriate to delineate the mineralization. As only two logs were reviewed, it is unclear if the same signatures are seen in other drill holes despite similar patterns being displayed. However, examples of different drill holes have been shown in Figure 7-2 of the North Rim NI 43-101 which shows the correlation of the different potash members across the regional basin using geophysical logs which gives confidence that if this combination of logging is used, the potash members can be confidently correlated between drill holes. Examples of core photography are appropriate resolution to examine the potash mineralogy and crystal size as well as the homogeneity of the evaporite sequence on a granular level. There is no reference to geotechnical logging in the report but it is stated that core breaks are marked with a chalk pencil on the core. The key geological factors that are critical to solution mining are dip / structure, potash grade, thickness, temperature, carnallite content, insoluble content, aquifers or presence of water, as well as the nature of the mineralisation boundaries and properties of the

Criteria	Commentary
	surrounding waste. These are displayed on the YCR2 log and therefore it is considered that the relevant geological data was captured to support the development of the project at the appropriate resolution for geological modelling and subsequent mine planning.
Sub-sampling techniques and sample preparation	The information refers to the seven holes completed and referenced in the 2013 NI 43-101. No information was provided on the subsequent nine holes completed in 2014 in the FS. However, the work appears to be completed by the same company, North Rim, which makes it unlikely there are any material differences in methodology or approach in the later drilling campaign. The core is slabbed (split in half lengthwise) and cut dry with a 2 hp band saw equipped with a dust collection system. Saw blades were replaced when any crystal fracturing or splintering of the core was observed to ensure minimal sample loss. Dust was removed from the core with a damp cloth to minimize contamination between samples. It is not stated how often the saw was cleaned, but North Rim states that there was no material loss. Ideally the core trays should be weighed before and after cutting to quantify the losses. Core photographs show that the mineralization is relatively homogenous across through the core and the crystal size is small relative to the core diameter. The samples were submitted to Saskatchewan Research Centre (SRC) for sample preparation and insertion of potash standards and sample pulp replicates. For every 40 samples, two standards and one replicate were inserted. The samples were prepared for geochemical analysis by crushing to 60% at -2 mm and a 100 g to 200g sub-sample split out using a riffler. The sub-sample was pulverized to 90% at -106 µm using a puck and ring grinding mill. North Rim states that the jaw crusher and splitter were cleaned between each sample with compressed air and the grinding pots were cleaned with compressed air between each sample and cleaned with silica sand and rinsed with water between each group of samples to prevent contamination. SLR has not seen the results of the sample pulp replicate geochemical analysis and is not able to understand the appropriateness of the sample preparation and the insertion rate of the control samples. The use of sample pulps only allows the splitting of the pulp and overall homogenisation of all stages to be assessed rather than the variation in the overall sample preparation as would be seen with a field duplicate, or the grinding stage as would be seen with a coarse duplicate. Additionally, the lack of blank material used does not allow any quantitative assessment of contamination during the sample preparation process. North Rim states that “the geoanalytical results showed that sample repeats split by the SRC were largely precise”. Overall, SLR considers the sampling approach is appropriate to provide representative and unbiased samples and sample quality assurance. However, this could be improved with the insertion of blanks, field and coarse duplicates.
Quality of assay data and laboratory tests	The information refers to the seven holes completed and referenced in the 2013 NI 43-101. No information was provided on the subsequent nine holes completed in 2014 in the FS. However, the work appears to be completed by the same company, North Rim, which makes it unlikely there are any material differences in methodology or approach in the later drilling campaign. The samples were submitted to SRC for sample preparation and insertion of potash standards and sample pulp replicates. For every 40 samples, two standards and one replicate was inserted. The sample split replicate was done after the entire group of samples was prepared. The standards (POT004 and POT003) were prepared and inserted by SRC at the laboratory.

Criteria	Commentary
	The samples were analyzed at SRC using soluble inductively coupled plasma (ICP) to determine the soluble oxides, % insolubles, and % moisture. The potash standards were reviewed by SLR and show good analytical accuracy and precision. The higher-grade standard (60.4% K_2O) is higher grade than is generally observed in the Southey Project Area with the YCR2 log showing values up to 45% K_2O. The lower grade standard (19.5% K_2O) is representative of low to average potash grades seen in the Southey mineralization. SLR considers that the high-grade standard is inappropriate for the assessing the expected K_2O content for the Project despite good performance that points to consistent and accurate analysis of the sample geochemistry.
Verification of sampling and assaying	On October 30, 2024, Paul Chamois, Associate Principal Geologist with SLR and a Qualified Person in the Province of Saskatchewan (Reg. #14155), visited the Southey Project. SLR was given full access to the property and no limitations were placed on Mr. Chamois. At the time of the visit, no exploration or development activities were ongoing on the Project. The purpose of the site visit was to inspect the Property and assess logistical aspects relating to access and the ability to conduct work in the area, and to confirm the geological setting. The visit included inspection of core from multiple drill holes stored at the Saskatchewan Core Laboratory in Regina. Because of the advanced stage of the Project, no independent sampling of the core was thought to be necessary. Visual confirmation of sylvite mineralization over significant core lengths was made. North Rim conducted a “Geochemical Analysis-to-Gamma” correlation study to establish whether K_2O content could be estimated for intervals (specifically in YCR3) where geochemical samples were missing because of dissolution testing. The comparison in YCR1 showed that the average K_2O content over the wider interval could be reliably estimated from the gamma, but on a sample-by-sample basis (0.3 m), the gamma ray estimation curve (GREC) underestimates K_2O in high grade beds relative to the geochemical sample and overestimates K_2O relative to the geochemical samples in low grade beds. Due to this distinction, the intervals in YCR3 were considered as core loss for the purposes for the estimate as they comprised 2.71 m of loss, or 8.6% of the mineralization thickness. In 2014, GREC was used to estimate K_2O values in YCRU across a 7.1 m section of the Patience Lake Member. It is unclear to SLR if the overall grades for the members were assessed relative to the geochemical sample data available in YCR3 to see if assigning the interval as core loss would have any material impact on the overall grade across the mineralized interval. However, given this is a low percentage, it is unlikely that there is a large overall impact. The comparison of GREC versus K_2O samples helps verify that the appropriate sample intervals were captured reflecting the high and low grades. Overall, SLR considers the drilling, logging, and sampling completed by Yancoal Canada Resources Co., Ltd (Yancoal) and its consultants on the Project to be appropriate for the delineation and characterization of the potash deposit. It has produced representative samples which support the highest confidence of resource classification. SLR was able to confirm the provenance of the Yancoal exploration data, the potash intervals, borehole locations, and the procedures used on site for collection and storage of geological data.
Location of data points	The Project is located in the South Saskatchewan prairies which is relatively flat with little drainage relief. The down hole deviation was measured by the geophysical sonde. The resolution for this is unknown but is likely to be suitable for defining the drill hole trace at depth. It is

Criteria	Commentary
	important that this information is routinely collected as the holes are very deep (>1,000 m) and a large amount of deviation tends to occur in deep holes. No information has been provided to SLR on the topographic surface used or the methods for surveying the collar locations so no comment can be made on the appropriateness or accuracy of this data. The co-ordinate system referenced in the North Rim figures is UTM Zone 13N, NAD 1983.
Data spacing and distribution	RPS Group (RPS) conducted 2D and 3D seismic surveys of the area between 2012 and 2014. 2D profiles were completed in 2012 utilizing historical drill holes. They were used to help site the new drill holes in areas where the potash horizons were unaffected by geological anomalies. Further to this, a 3D seismic survey was completed across a smaller area of the licence which was able to identify carnallite areas within the sequence. The drilling in the Project area (also covered by 3D seismics) is spaced at approximately 2,000 m to 2,800 m centres. This spacing is appropriate for determining the thickness and grade of the potash intercepts and their variation on a large scale but it does not seek to identify and characterize the geophysical anomalies. Although not specifically stated in the reports, it is implied that the samples for each potash members and interbeds were composited across the total thickness of the intercept prior to modelling.
Orientation of data in relation to geological structure	The Prairie evaporite sequence is generally flat lying, although there are local paleotopographic changes and geological anomalies that can cause local stratigraphic and dip changes. Therefore, the drilling was orientated vertically to intersect the bed perpendicularly to measure (as close as possible) the true thickness of the potash beds. Generally, the sedimentary sequence is more variable in the vertical than the horizontal which also makes it important to intersect the mineralization at this angle to accurately capture and sample that variation.
Sample security	The following procedure, described in the North Rim NI 43-101, ensured sample security and recorded the responsibility of the sample custody at each point. The chain of custody from coring and core retrieval through the sampling and delivery of samples to the SRC laboratory was overseen by the North Rim qualified persons. The core was placed and sealed in the core boxes by the geologist at the rig. It was then transported by a hotshot courier from the coring company in an enclosed trailer from the drill site to North Rim's Core Store. A packing slip detailing the core runs and boxes for each run accompanied the delivery and was inspected on receipt of the core at the core store. The North Rim geologists were responsible for checking the integrity of the core and organising the core into stratigraphic order for logging and sampling. The core store is equipped with an alarm system when not in use by North Rim and is temperature and humidity controlled. Once the samples were bagged, a tag with the sample number was placed inside the bag and the sample number was also written in permanent marker on the outside of the bag. The bags were sealed and loaded into rice bags for transportation to SRC. These were received by the laboratory who sent a list of the samples received to cross-check against the packing slip that accompanies them to ensure no samples were missing. SLR considers the close supervision of North Rim over the chain of custody to be adequate.
Audits or reviews	In 2016, Advisian Worley Parsons Group completed an audit on the 2016 FS. The only statement pertaining to sampling techniques and data was that the drill stem tests were not performed in areas of geological anomalies so it is still possible the Dawson Bay Formation is water bearing in these areas as they remain untested. SLR agrees that the drill stem tests were done on similar geological conditions that do not characterize or minimize the risk across the Southey Project area.

Section 2 Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	The Southey Project comprises six subsurface mineral leases grouped into three non-contiguous blocks, totalling 129,919 hectares (ha). Leases KL242 and KL243 which cover an area of 38,959 ha host the Mineral Resources. The mining concessions were awarded in August 2016 and expire on February 24, 2037. These may be renewed for another 21-year period. The leases are entirely held by Yancoal and the company has exclusive rights to extract subsurface minerals and conduct further exploration activities.
Exploration done by other parties	Historical drilling was completed in the KP 377 (two holes – Socony Sohio Last Mountain Lake 298 and Socony Sohio Elbourne No.1) and KP 392 licence (one hole – Tide Water Arbury Crown No.13 11) by the oil and gas industry in the 1950s. These holes were drilled into the uppermost Paleozoic formation but not into the Prairie Evaporite Formation. Additional historical drilling was done around the periphery of the licences between 1953 and 1957. Four of these holes (Pheas Sinc PL Earl Grey 8-17 (101/08-17-023-20W2/00, 1969), Texaco Et Al Cupar 1-25 (101/01-25-023-16W2/00, 1970), K R Et Al Dystar 2-12 (111/02-12-24-16W2/00, 1966), and Tide Water Bryce Lake Crown No 1 (101/01-14-025-16W2/00, 1956), were drilled into the Prairie Evaporite Formation but did not have geochemical sampling or information and were used for geological correlation only.
Geology	The Southey potash deposit forms part of the Prairie Evaporite Formation which is located in the southeastern Saskatchewan Potash Basin. This is a regional basin that spans approximately 500 km by 200 km through southern central Canada. The potash beds of the Project occur within the uppermost strata of a the relatively thick Prairie Evaporite. The Prairie Evaporite is present within the lowermost Phanerozoic sequence and commonly reaches thicknesses of up to 200 m, occurring between 1,250 m and 1,450 m below surface. The Prairie Evaporite is deposited on the carbonate Winnipegosis Formation and unconformably overlain by the Dawson Bay Formation carbonates. The Prairie Evaporite is divided into three principal potash-bearing members and one auxiliary member. They are the Esterhazy Member, the Belle Plaine Member, and the Patience Lake Member. These beds are generally flat-lying and are formed of interbedded sylvite, halite, carnallite, clays, and minor amounts of anhydrite. The auxiliary potash member, the White Bear Marker Beds, is situated between the Belle Plaine and the Esterhazy members. The Esterhazy Member is the lowermost potash-bearing member and is present in all holes drilled in the Project area. Regionally, the Esterhazy Member typically exhibits the largest potash crystal sizes and the lowest clay content of all of the Saskatchewan potash members. At the Project, the Esterhazy Member is a mixture of relatively clean, interlocking, medium to coarse crystalline sylvite and halite with moderate to trace amounts of interstitial carnallite. It is separated from the Belle Plain by a relatively thick sequence of barren salt (i.e., the “Belle Plaine-Esterhazy Interbed Salt”) averaging 19.7 m in thickness. The Esterhazy Member is thicker in the east of the Project area (8.5 m) and thins to the west (6.5 m). Contrary to the other potash members, the Esterhazy has a variable grade of between 11.2% and 24.1% K_2O, averaging 16.7% K_2O. Many of the drill holes have more than 6% carnallite. The Belle Plaine potash bed can be sub-divided into an upper and lower submember, separated by a bed of low-grade clay-rich halite. The upper Belle Plaine is substantially thicker than the lower Belle Plaine, which average 5.8 m and 1.5 m, respectively. The interbed separating them averages 1.5 m in thickness. The

Criteria	Commentary
	depth to the top of the Belle Plaine Member averages approximately 1,270 m (-700 masl) ranging from 1,258 m in the east to nearly 1,280 m in the west. Within the Yancoal holes, the Belle Plaine averages approximately 8.0 m in total thickness and is relatively uniform, but increases to more than 14.0 m where carnallite pods are present. Regionally, crystal sizes tend to increase and clay content decreases moving down section from the Patience Lake to the Belle Plaine Member, a trend which is reflected at Southey. The average K_2O grade is 17.5%. The Patience Lake Member is the uppermost potash member of the Prairie Evaporite. It generally thins from the west to east at Southey. It is typically mixture of fine, equicrystalline and equant, interlocking sylvite, halite, and clay. In general, the Patience Lake Member contains the highest abundance of clay which is present both as interstitial disseminations and discreet seams. Areas of massive carnallite have been found within this interval, some containing seams of 100% carnallite. The average K_2O grade is 19.2%. Carnallite occurs as disseminated crystals within sylvinite or as massive carnallite with little or no sylvinite. The disseminated carnallite occurs principally in the Esterhazy Member. Massive carnallite has been recovered in the core from the Patience Lake and Belle Plaine beds. Carnallite is a significant pollutant in mining operations because it is the primary source of magnesium. Magnesium is tolerable only in small quantities in plant processes and, because of that, areas where there is high carnallite content are excluded from the resource.
Drill hole Information	The Mineral Resources at Southey rely on 16 drill holes that form the basis for the FS. As the Project contains a Mineral Resource and Ore Reserve, individual drill holes and drill hole intercepts are not deemed material to this public report.
Data aggregation methods	No exploration results are reported as part of this disclosure.
Relationship between mineralisation widths and intercept lengths	All drill holes are orientated vertically to perpendicularly intersect the potash sequence. This means that the mineralized intercepts are as representative of the true thickness as possible. Local dips in the strata and other geological anomalies may be present but these are not described in the core.
Diagrams	No exploration results are reported as part of this disclosure.
Balanced reporting	No exploration results are reported as part of this disclosure.
Other substantive exploration data	The information below is taken directly from the 2016 FS Report and has not been reviewed or checked by SLR. It is disclosed here as it is relevant to the estimation of Mineral Resources and Ore Reserves as described in Sections 3 and 4. Geophysical surveys were conducted across the licence in 2012 and 2013. In 2012, reinterpretation was done of 237 km of 2D seismic trade data. Another 49 km 2D seismic survey was conducted in Q4 of 2012. The results of the seismic survey show the correlation of seismic horizons across the Project area and identify geological anomalies. In 2013, an 88.2km^2 3D seismic survey was shot over the Project area within KP377 and KP392 to further investigate the subsurface geology and determine if there were any anomalous areas. The results of these surveys were combined and identified Winnipegosis mounds, collapse features, and massive carnallite. Winnipegosis mounds are diagenetically altered domes in the underlying strata. They can be up to 6 km in diameter and 100 m thick in some parts of the Saskatchewan basin. They

Criteria	Commentary
	are characterized by subsidence of the overlying strata of up to 30 m. This negatively affect the thickness and grade and result in highly variable dips in the evaporite sequence. An FS was completed for the Southey Project and as such additional sampling and test work was completed for metallurgy and processing, geotechnical characterization of mineralisation, and waste and hydrogeological conditions. Below is a summary of the data as described in the FS Report. No actual test work results were disclosed in the report itself but this primary data underpins all the assumptions and design criteria in the study. Geotechnical – The IfG laboratory performed creep tests on 15 potash and salt samples over a period of 60 days. Uniaxial compressive strength tests and triaxial compressive strength tests were done by Agapito Associates Inc. (Agapito) at their Grand Junction laboratory on potash and salt samples at 65°C to 85°C. Other rock types were tested at ambient temperatures. The triaxial samples were tested at non-confining pressures of either 7.5 MPa or 15 MPa. Hydrogeological - Drill stem tests were completed on the Dawson Bay Formation in YC9 in 2012 and in YCRW, YCRM, YCRS, and YCRL in 2014. The Dawson Bay Formation is directly above the Prairie Evaporite sequence. These tested units between 1,196 m and 1,247 m below surface to determine if the formation was wet or dry. The results showed in these cases the holes were dry. Metallurgical – Samples for dissolution testing were taken from YCR4 as described in Section 1 of this Table 1 and YCRM and YCRW at the FS stage (2014). All three potash members were sampled. The 2014 test work results show that the three members are almost identical in terms of dissolution behaviour and dissolution rates.
Further work	No further exploration plans have been disclosed to SLR. The potash mineralization extends laterally beyond the 3D seismic area but most significant results occur in the north and west. Further drilling and 3D seismic surveys are required to extend the Mineral Resources. These areas are shown to be more affected by geological anomalies with smaller areas of contiguous potash. A further study would refine the nature of these areas to increase confidence in their extent.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	Commentary
Database integrity	Geophysical data was reprocessed in several different ways by RPS, but no report was provided that detailed the process of data collection and processing. In addition, no detailed reports on the database, nor the database itself, have been provided to SLR to check or comment on the process of data capture and to independently validate it. The drill hole database is not referred to by North Rim in the 2013 NI 43-101. It is unclear what procedures were in place to ensure errors in the data were identified and corrected. In general, the GREC correlation with the geochemical samples was used as a broad check to see if there were any anomalous results. Agapito calculated the KCl, $MgCl_2$, and carnallite content in the database using the following equations: KCl = K_2O x 1.583 and $MgCl_2$ = MgO x 2.362 and carnallite = MgO x 6.892. SLR was not provided with the database to check if the equations had been applied correctly in the calculation.
Site visits	On October 30, 2024, Paul Chamois, Associate Principal Geologist with SLR and a Qualified Person in the Province of Saskatchewan (Reg. #14155), visited the Southey Project. SLR was given full access to the property and no limitations were placed on Mr. Chamois. At the time of the visit, no exploration or development activities were ongoing on the Project. The purpose of the site visit was to inspect the property and assess logistical aspects relating to access and the ability to conduct work in the area, and to confirm the geological setting. The visit included inspection of core from multiple drill holes stored at the Saskatchewan Core Laboratory in Regina. SLR visually confirmed sylvite mineralization over significant core lengths.
Geological interpretation	The geological interpretation is supported by downhole drilling and geophysics, and 3D and 2D seismic surveys across the wider licence area. The basin and Prairie Evaporite sequence is very consistent and can be confidently mapped across the larger regional areas through geophysical and geological markers. The potash mineralisation within the sequence occurs in the Esterhazy, Belle Plaine, and Patience Lake members and is easily correlated between drillholes. The boundaries between the interbedded halite and potash are determined visually in the core as well as through geochemical analysis and geophysical properties. This gives high confidence to the geological interpretation, although the drill hole intercepts are spaced between 2,500 m and 3,000 m apart. The Saskatchewan potash sequence has been extensively studied and there are various types of geological anomalies known to occur in the basin that cannot be determined through wide spaced drilling or seismic surveys: salt dissolution and collapse, leach (salt horsts) and washouts. Additionally, carnallite, which occurs in sylvinite and the potash beds, is considered deleterious as the Mineral Resource is considered sylvite only. The distribution of massive carnallite has been determined by 3D seismics and drill hole intersections which have allowed for their delineation in the Patience Lake and Belle Plaine members. No massive carnallite was found in the Esterhazy but it is known to be disseminated throughout the bed. The K_2O content and thickness of each of the three members is fairly consistent between drill holes except for the carnallite distribution which can vary considerably between areas of massive carnallite and low levels of disseminated carnallite. Overall, the highest confidence is associated with the Belle Plaine Member as it is the most consistent, followed by the Esterhazy and the Patience Lake beds, which have more variable K_2O content and thickness.

Criteria	Commentary
Dimensions	The potash sequence extends over the greater area included in the Mineral Resource of approximately 160 km^2 but is disrupted by paleohighs and other geological anomalies. Generally, the sequence dips gently towards the southwest. Large areas of carnallite within the sequence are also discernible from the 3D seismic and excluded from the Mineral Resource. The three target potash beds occur across an area of 144 km^2. The lowest, the Esterhazy Member, occurs at depths of between 1,286 m and 1,323 m and varies in thickness between 6.1 m and 8.5 m, thickest in the east and thinning towards the west. The FS Mineral Resource statement shows the Esterhazy Mineral Resource covers an area of approximately 87.9 km^2 adding in the applied geological losses. The Belle Plaine Member occurs at depths of between 1,258 m and 1,296 m and varies in thickness between 6.5 m and 14 m, thickest in the centre of the area, thinning towards the edges of the 3D seismic area, the exception being YCR8 in the east which also contains the thickest intercept of the Belle Plaine. Areas of high carnallite are associated with the thickest areas of the Belle Plaine. The FS Mineral Resource statement shows the Belle Plaine Mineral Resource covers an area of approximately 180.7 km^2 adding in the applied geological losses. The Patience Lake Member occurs at depths of between 1,262 m and 1,244 m and varies in thickness between 4.5 m and 10.3 m, thickest in the west and thinning towards the centre of the area and the east. The carnallite content decreases from the centre of the Mineral Resource area outwards and is also high in the east (YCR9 and YCR8). The FS Mineral Resource statement shows the Patience Lake Mineral Resource covers an area of approximately 158 km^2 adding in the applied geological losses.
Estimation and modelling techniques	The deposit was modelled in a series of layers which were estimated as grids in Carlson Mining software (2015). Six layers were modelled. These were the Patience Lake Salt Back, the Patience Lake Member, the Patience Lake-Belle Plaine interbed, the Belle Plaine Member, the Belle-Plaine-Esterhazy interbed, and the Esterhazy Member. There is no minimum K_2O content for the definition of the potash intercepts at the modelling stage. The top and floor elevation and the thickness of the units were estimated by inverse distance weighting squared (IDW^2). The K_2O content and carnallite content were also interpolated by IDW^2 for the potash units from the 16 drill hole intercepts. No other information is given on the compositing or interpolation of the data, the treatment of high values, or the grid size relative to the data. It is not stated if the 3D seismic was used to influence the structure of the model or elevation grids. The 3D seismic was used to identify massive carnallite within the potash members and evaporite sequence and this was delineated in plan view for each member as a series of polygons which were subsequently used to areally deduct tonnage. No validation techniques were described in the FS report, but images of the thickness, carnallite content, and K_2O grids shown honour the input data described in Table 3-5 of the FS report. SLR notes that modelling with grids is appropriate for thin potash beds (7 m to 20 m thick) relative to wide spacing of the drill hole intercepts (2,500 m apart).
Moisture	The tonnages are estimated on a dry basis. No reference to moisture is given in any reports.
Cut-off parameters	A minimum cut-off grade of 15% K_2O was applied to the model for reporting purposes. No supporting information was given for the calculation of the cut-off grade

Criteria	Commentary
	apart from a statement that lower grades would not result in a minimum brine grade of 140 g/L. A maximum disseminated carnallite content was also applied for areas that were not already excluded as containing massive carnallite in the Patience Lake and Belle Plaine members. This was a maximum of 8% in the Patience Lake and Belle Plaine and 6% in the Esterhazy. This is derived from the plant brine $MgCl_2$ limit of 3 g/L.
Mining factors or assumptions	The deposit will be extracted through solution mining, whereby deep wells are drilled into the evaporite beds and fresh water circulated to make a series of caverns. The potash is mined through the injection of hot water in a series of levels, each approximately 1.0 m to 1.5 m high. Each cavern is developed by two wells which creates a gradient that allows extraction of the production brine. The potash will be mined from the Esterhazy Member up to the Patience Lake Member, although it is possible to selectively mine the upper members depending on the mine plan. The potash brine is pumped to surface where it is sent to the evaporation and crystallization plant.
Metallurgical factors or assumptions	The extracted mining brine will be sent to the evaporation units followed by crystallization units to produce crystalline KCl. Solid KCl will then be debrined, dried, and screened to separate the standard product. A granular product will be made at the compaction plant from the oversize, undersize, and some standard product. The proposed saleable product has a target of 98.1 (wt%) KCl and a minimum of 95.1 (wt%) KCl at a varying particle size. The process design criteria from the FS report assume 93% plant recovery at a rate of 1.68 million tonnes per annum (Mtpa) of product.
Environmental factors or assumptions	Salt tailings will be generated from the solution mining and transported by pipeline to a Tailings Management Area (TMA). It is planned that the solids will settle out and the free brine will drain to a pond where it will be recycled through the plant or disposed of by deep well injection. There is the potential for seepage of brine from the TMA as well as long-term migration of the brine solution from surface to the aquifers below. Other environmental impacts include the water supply requirements for the operations.
Bulk density	A single specific gravity of 2.08 t/m^3 was used to estimate the potash tonnage in the block model, which is the density of sylvinite. Carnallite has a slightly lower density, but this was not considered in the tonnage estimate. No core samples were taken for bulk density measurements.
Classification	Agapito has classified the Mineral Resources as Measured, Indicated, and Inferred based on distance from each individual drill hole. Measured was applied from 0 to 800 m, Indicated from 800 m to 1,600 m, and Inferred from 1,600 m to 5,000 m. No other criteria were used for classification. The average drill hole spacing is 2,500 m which means that this approach creates isolated islands of Measured Resources around the drill holes, not supported by close spaced sampling. The relative grade and geological continuity of the different potash members and confidence in the delineation of massive carnallite and other geological anomalies from the 3D seismic was not discussed in the FS report. SLR considers that the Measured category should be applied to areas where the drill hole spacing is 1,600 m or less. No areas of the licence are drilled this closely and therefore resources should not be reported at this confidence level.

Criteria	Commentary
Audits or reviews	Ercosplan audited the 2016 FS in April 2016. The main technical findings from the audit were that the Project contained a significant potash resource and that the geological environment was comparable to other areas within the basin. Geological anomalies occur in the Project area but are not so extensive as to affect the viability of the Project. The Mineral Resource estimates for the Patience Lake were considered to have lower confidence than the other members particularly in areas of thin (<5 m) saltback which increased the probability of leach of washout structures that would affect the local and global resource and potentially cavern stability. The Belle Plaine was considered the highest confidence due to the consistency of grade and thickness across the Project area. The Esterhazy resource had reasonable confidence as there was also good lateral grade and thickness continuity, however, the carnallite distribution is determined by the drill hole intercepts only, as the seismic study was unable to map the disseminated carnallite in this member. There is an opportunity to initiate discussions with freehold owners for areas within the 3D seismic area that are neither included in the Exploration Permit nor leased from freehold owners of mineral rights to expand the Indicated Mineral Resource. It was recommended that the extents of the massive carnallite areas are tested with drill holes to verify this deduction and that further 3D seismic would need to be completed over the wider Inferred area to be able to report Indicated Resources.
Discussion of relative accuracy/ confidence	SLR considers that the Mineral Resource estimates for the Southey Project are based on the reasonably defined extents and grade of the potash beds through geophysics and diamond drilling. There is high confidence in the global estimates across the 3D seismic area as massive carnallite could be spatially mapped. There is much lower confidence outside of this area due to the reliance on 2D seismic and the lack of drilling. There is a lack of density samples and downhole density information to compare to the assigned specific gravity of 2.08 t/m^3. Overall, the highest confidence is in the 3D seismic area of the Belle Plaine Member and the lowest in the Inferred areas, outside of the 3D seismics for the Patience Lake and Esterhazy members. This is still a greenfield project with no pilot or production data to compare to the estimated Mineral Resources.

Section 4 Estimation and Reporting of Ore Reserves

Criteria	Commentary
Mineral Resource estimate for conversion to Ore Reserves	The Southey potash deposits are hosted within Middle Devonian Elk Point Group strata as relatively flat-lying, laterally extensive bedded deposits comprised predominantly of halite, sylvite, carnallite, and insolubles. The resource was estimated from geochemical analyses of core sampled from 16 cored and analyzed drill holes and the analysis of 3D Seismic data to outline collapse areas and areas of high carnallite concentration. The stratigraphy was modelled in layers including Patience Lake, Belle Plaine, and Esterhazy using Carlson Mining software and Minesight software which is appropriate for representing thin continuous layers over a wide spaced area. IDW^2 interpolation was used to estimate the mining horizon elevations, thicknesses, and grades. No further parameters were provided such as minimum and maximum number of samples. The tonnage was calculated by applying a density 2.08 t/m^3 to the potash volume.

Criteria	Commentary
	Mineral Resources are estimated at a cut-off grade of 15% K_2O with no minimum thickness criteria applied. JORC (2012) definitions were followed for estimation of Mineral Resources. Mineral Resources are inclusive of Ore Reserves. The Mineral Resources were classified as Measured, Indicated, and Inferred based on distance from the drill hole. Measured was applied from 0 to 800 m, Indicated from 800 m to 1,600 m, and Inferred from 1,600 m to 5,000 m. SLR considers that the Measured category should be applied to areas where the drill hole spacing is 1,600 m or less. No areas of the licence are drilled this closely and therefore resources should not be reported at this confidence level. SLR is of the opinion that the Ore Reserves should all be reported as Probable Ore Reserves.
Site visits	One member of the SLR review team carried out a site visit in October 2024. During the site visit, SLR inspected drill core from the Project, met with representatives from Yancoal, and toured the proposed site where the Southey Project would be built.
Study status	The Southey Project is an FS greenfield, mining project located in southern Saskatchewan, Canada, approximately 60 km northwest of the provincial capital of Regina. The Southey Project will produce 2.8 Mtpa of Muriate of Potash (MOP) from a solution mining project. The minimum specification for saleable quality granulated muriate of potash (GMOP) for use as fertiliser (outside China) is a 60% K_2O product, referred to as a K60 product. This means that at least 60% of the product, by weight, is K_2O, i.e., it is approximately 95% pure KCl. The Southey Project is intended to be developed in two phases. The first phase (Phase 1) includes the development of the caverns for primary mining, the construction of a process plant, the construction of all the necessary surface infrastructure to support the future operations, and the start of primary mining and processing operations. Phase 1 is based on primary mining of caverns and will produce approximately 2.0 Mtpa of MOP. Primary mining is based upon the use of hot water to dissolve the salts for transport to surface. In Phase 2, the secondary mining will be implemented and the production will rise to 2.8 Mtpa of MOP from a combination of primary and secondary mining. Secondary mining uses a heated saturated salt solution to selectively leach KCl from the mineralized horizons. Ore production will be maintained at a rate of 2.8 Mtpa.
Cut-off parameters	The cut-off criteria are: • Minimum potassium grade cut-off is 15% K_2O over a minimum thickness of one metre. • Exclusion of areas of massive carnallite, areas in the Patience Lake and Belle Plaine where the carnallite content exceeds 8%, and areas in the Esterhazy where the carnallite content exceeds 6%. • Only resources within the 3D seismic exploration area were converted to Ore Reserves. The cut-off grade is based on the ability to attain a dissolved KCl grade of 140 g/L in solution.
Mining factors or assumptions	Potash will be recovered by solution mining from three horizons located some 1,300 m below surface through the borehole injection of water and/or brine and the recovery of a potash rich brine by borehole. The potash rich brine will be treated for the extraction of potash and solution will be recirculated for ongoing potash production. The operation is planned to produce 2.8 Mtpa of potash fertilizer (K62, 62% K_2O).

Criteria	Commentary
	Solution mining is considered appropriate for the Southey deposit considering the depth of the deposit and the success at the Mosaic Belle Plaine Mine. After consideration of horizontal wells versus vertical wells, vertical wells with two holes per cavern were chosen. Cavern stability, casing integrity, and surface subsidence were assessed for 75 m radius caverns with 80 m wide pillars (areal extraction ratio of 41.6%) and 80 m radius caverns with 70 m wide pillars (areal extraction ratio of 46.2%). Geotechnical analysis concluded that the caverns would remain open during and after solution mining and predictions of ground surface subsidence were approximately 2.0 m to 2.5 m for at the end of mining the Patience Lake Member. The active potash solution mining at Mosaic's Belle Plaine Mine was adopted as the base case for the FS. The solution-mining design utilizes two directionally drilled wells approximately 1,430 m in measured depth with the total depth location separated by approximately 80 m to form a single, solution-mining cavern. The drilling design is based upon up to 40 directional wells drilled from a centralized well pad to develop up to 20 solution mining caverns for each drill pad pattern. A sump is developed by solution mining with injected fresh water at each borehole and then the two holes are connected to form a cavity at the base of the potash horizon. The first 1.0 m to 1.5 m horizontal slice of primary mining within the potash member is initiated by perforating the casing at the mining slice in each well, equipping one well as the production well and the other as the injection well and injecting heated fresh water. Near-saturated brine, containing 155 g/L of KCl and 250 g/L of NaCl, on average, is produced from the production well. The injection rate is expected to average approximately 49.7 m^3/hr over the life of the primary mining phase and each primary cavern will produce approximately 58,000 tonnes of KCl per year. The well pair will operate in the mode described above until the cavern roof area reaches approximately 60% of the designed cavern roof area of approximately 18,000 m^2. At this stage, the mode of the wells is reversed, with or without initiating a new mining slice, to maintain uniform cavern shape and to achieve the designed primary production tonnage per mining slice. Primary mining progresses as a series of 1.0 m to 1.5 m horizontal slices until the cavern roof is extended to about the top of the lower mining horizon (Esterhazy or Belle Plaine potash zone). Upon reaching the top of the lower mining zone, a specialized pressurization technique is utilized to allow the solution mining to progress directly from the top of the lower potash zone directly to the bottom of the upper potash zone where the primary mining is continued in 1.0 m to 1.5 m horizontal slices through the upper potash zones. The FS assumed that primary mining will produce 71.4% and secondary mining will produce 28.6% of the total KCl tonnes. In secondary mining, the injection solution is a heated saturated salt brine containing approximately 250 g/L NaCl and 110 g/L KCl. The brine dissolves the KCL and leaves the salt. The production brine contains approximately 155 g/L of KCl and 250 g/L of NaCl. If desired, it is possible to increase the percentage of secondary mining by switching to secondary mining earlier in the cavern life and utilize secondary mining for both the cavern roof and walls. Using the 71.4% ratio, the primary mining life of an individual cavern is estimated at 2.64 years. In the later stages of secondary mining, the solution mining cavern may develop communication with the permeable formation above the cavern roof or, possibly, with an adjacent cavern. This communication could limit the ability of the cavern to maintain sufficient pressure to lift the production brine to the surface in which case an electric submersible pump is installed in the production well to assist lifting the production brine to the surface. Up to half of the secondary wells may require installation of a pump.

Criteria	Commentary
	Injection temperatures were estimated using Agapito's thermodynamics model based on the 65°C brine temperature required for solution mining caverns, injection flow rates, cavern geometry and cavern life, as well as physical and thermal properties of solvent, brine, and surrounding rock. During development of the first group of caverns, the flow of injection water is estimated to be up to 1,385 m^3/hr assuming that sumps for all 38 caverns are developed in 14 months. Peak water usage is 1,900 m^3/hr when all 38 caverns are in roof development. During steady-state mining, an average of 15 caverns need to be developed each year, and water usage during cavern development is estimated to be 606 m^3/hr on average, with a peak water usage of 750 m^3/hr required for developing these caverns. Under steady state operations, the water consumption is forecast to be 1,023 m^3/hr. No dilution is included in the estimate of Ore Reserves. Assuming the caverns remain filled with solution after mining, the extraction from a cavern is 87% in the Patience Lake horizon, 74% in the Belle Plaine, and, 75% in the Esterhazy horizon. A 5% loss to anomalies was applied to the caverns. Plant recovery is estimated to average 93%. Mine infrastructure requirements include a cluster house, blanket fluid storage and pumphouse, containment pond, concrete well pad, and a perimeter chain link fence for each drill pad. Two 25 kV buried feeders originating from the main plant site provide power to the wellfield and then transition to 25 kV overhead power lines at the southern extent of the plant site boundary. The wellfield piping is connected to the plant site via a buried pipe corridor. This pipe corridor contains six lines which deliver and return water and brine to the wellfield. The pipelines include 20", 24", and 30" steel and high density polyethylene (HDPE) pipelines.
Metallurgical factors or assumptions	The plant is designed to process the solution mined from primary and secondary mining operations. The primary mining brine feeds two trains of evaporation units followed by two trains of crystallization units to produce crystalline KCl. The secondary mining brine feeds the crystallization pond where the brine is cooled under atmospheric conditions to produce KCl precipitates. Precipitated KCL, settled at the bottom of the pond, will be harvested by dredges. Solid KCl from the crystallizer trains and the crystallization pond is debrined, dried, and screened to separate out the standard product. The screen oversize, undersize, and a proportion of standard product will be fed to a compaction plant to produce the granular product. The standard and granular products are produced at a specific ratio and sent to the relevant product storage area. Tailings from the process plant consists of waste salt from the NaCl debrining process which is stored in the tailings management area. Key process design criteria include: • Annual saleable potash: 2.8 Mtpa • Contained KCl: 2.7 Mtpa • Product grade from crystallizers: 62% K_2O • Primary to secondary mining ratio: 70/30 • Granular to standard ratio: 40/60 • Granular product production: 1.12 Mtpa • Standard product production: 1.68 Mtpa • Standard product target grade: 98.1% KCl (minimum 95.1% KCl) • Granular product target grade: 98.1% KCl (minimum 95.1% KCl)

Criteria	Commentary
	The process flowsheet is logical, consists of standard equipment, and is designed with the objective of maximising potash recovery. SLR notes that this type of flowsheet is used in a number of solution mines for potash processing. The samples for the leach testing were sourced from two exploration wells. The samples were selected from the drill cores to represent Patience Lake, Belle Plaine, and Esterhazy zones of the deposit. In addition, samples were also collected from interbeds to represent the area between these zones. The samples were selected to provide a number of samples at approximately 30% KCl as well as to cover a range of KCl contents in the ore. The leaching tests were conducted at 65ºC temperature in the leaching simulator. The samples were dissolved in the leaching cell primarily at its vertical surfaces in a rising flow of water or brine. Samples were taken during the leaching test at periodic intervals of 30, 60, and 150 minutes for analysis in the laboratory. It was reported that the dissolution rates observed for all samples are comparable to each other and within the theoretical dissolution limits for halite and sylvite at the leach temperature. However, SLR is not aware of the actual leach dissolution recovery values and unable to comment about them. It was reported that the variability between the three ore zones are almost identical in terms of dissolution behaviour and dissolution rates. It is understood that high $MgCl_2$ content of up to 24.2 g/L have been noticed in the samples from Esterhazy member zone. The higher $MgCl_2$ content was observed in 5.1% of the samples, this could be interpreted as the carnallite content of this zone is expected to be approximately 15%. However, the $MgCl_2$ content of the Belle Plaine and Patience Lake were understood to be in the range of 0.3 g/L and 1.1 g/L. The test work results indicated that the average $CaSO_4$ content of the brine was 2.9 g/L. It was also reported that $CaCl_2$ was not detected in the brine. However, SLR understands that very low $CaCl_2$ content was observed in some of the historical test work.
Environmental	Golder Associates Ltd. (Golder) conducted an environmental assessment (EA) and compiled an Environmental Impact Statement (EIS) under the provincial Environmental Assessment Act for the Project in 2016. The EA included baseline and effects assessment work for identified valued components (VCs). VCs included atmospheric environment, groundwater, surface water quality, hydrology, fish and fish habitat, soil, plant populations and communities, wildlife, heritage resources, and socio-economics. The EIS included mitigation measures and concluded that the Project is not likely to cause significant adverse residual effects on most VCs of the biophysical environment. The EIS specifically states that adverse residual effects from the Project are predicted not to significantly influence: • Compliance with regulatory air emission guidelines and standards; • Continued suitability of groundwater for human use; • Availability of surface water quantity for human use; • Continued suitability of surface water for human use; • Self-sustaining and ecologically effective fish populations; • Soil capability to support agriculture and other plant communities; • Self-sustaining and ecologically effective plant populations and communities; • Self-sustaining and ecologically effective wildlife populations; • Protection of heritage resources; and • Sustainability of social and economic properties. Insoluble residues from the primary and secondary mining operations are proposed to be stored in underground sumps excavated at the bottoms of the production wells.

Criteria	Commentary
	Process residues comprising chiefly of NaCl from the processing plant are proposed to be stored on surface in a TMA. A federal Impact Assessment was not required for the Project because potash mine development is not included in the regulation designating Physical Activities under the Canadian Environmental Assessment Act. The Saskatchewan Minister of Environment (MoE) issued an approval of the EIA for the Project on August 9, 2016. Yancoal applied for an extension to the approval in 2021 because the company had not yet started construction. The MoE granted the extension on May 20, 2021. Yancoal will need to request a further extension from MoE should the Project not commence by August 9, 2026. Key conditions of the environmental approval required Yancoal to submit: • A development agreement with the regional municipality of Longlaketon prior to construction. • A community involvement plan. This condition was met when MoE approved the Yancoal Final Community Involvement Plan on June 14, 2019. • An environmental protection plan that includes monitoring of agriculture land, Loon Creek, and water quality. The following permits and approvals were also specified in the environmental approval: • A permit to construct and operate the facility under the Mineral Industry Environmental Protection Regulations, 1996 pursuant to The Environmental Management and Protection Act, 2010. • A water allocation licence from the Water Security Agency (WSA) for the use of water from Buffalo Pound Lake. The WSA issued a licence (number 17206-I003) on June 13, 2016 authorizing abstraction of up to 13,000 m^3 from Buffalo Pound Lake per year. This licence was valid for one year and Yancoal was required to contact the WSA prior to expiry to address reissuance requirements. Yancoal's proposed ultimate operational water requirements per year is 15,000,000 m^3. • A licence from the Ministry of the Economy for wells used in the mining process for the injection of brine. • Approval from the MoE for a decommissioning and reclamation plan which includes financial assurance, prior to construction. A high-level conceptual closure plan is included as Appendix 4-D to the EIS, but it does not include a closure cost estimate. Yancoal has indicated that a full decommissioning and closure plan will be developed at a later stage. It should be noted that third party utilities, including power, gas, rail, road infrastructure upgrades, and port facilities will likely also require environmental approvals and permits, however, SLR does not have information on this.
Infrastructure	Sufficient surface land is available for the construction and operation of the proposed processing plant. According to 2016 EIS, Yancoal intends to secure (e.g., through lease agreements) the land required for the full mine surface infrastructure area as it progresses over time. Land acquisition will therefore be ongoing. Yancoal has secured the land for the first phase of surface infrastructure. Highways and local roads provide access to the site. The projected total peak demand for electricity is 58 MW + 10 MVAR. The total peak demand for electricity for early cavern development is 8 MW + 5 MVAR. The construction power (25 kV supply from SaskPower) is not adequate for the power demand required for cavern development.

Criteria	Commentary
	SaskPower has recommended tapping the C1W, 230 kV grid line requiring construction of approximately 20 km of new 230 kV line. Standby power is planned using the installation of two 2.5 MW diesel generators. SaskWater has identified that the proposed Buffalo Pound Non-Potable Regional Water Supply System is capable of servicing Yancoal's requested demand with the addition of a customer specific pipeline. Yancoal's proposed ultimate water requirements are 15,000,000 m^3 with a peak flow of 1,884 m^3/hr SaskWater proposes to construct a 30 inch diameter pipeline approximately 96 km long with a booster pump station to provide water to the site. Natural gas requirement for the site is 57.6 TJ/d (65,000 m^3/hr). An additional 4.7 TJ/d (5,200 m^3/hr) to 16.7 TJ/d (18,500 m^3/hr) is required to allow for future 15 MW to 65 MW of cogeneration. The natural gas supply to site requires the installation of a new buried 16 inch diameter 84 km long carbon steel pipeline. Salt tailings are generated. The salt tailings pile has been designed to accept 193 Mt (134 million m^3) of waste salt over the LOM. The design of the salt tailings stockpile is based on side slopes of 3(H):1(V) and a Stage II pile height of 40 m. For the first 20 years, the Stage I salt storage area has been sized to accommodate an estimated 44 Mt of salt (30 million m^3) stored to a height of 26 m. The FS design of the TMA, including surface water diversion works, the salt storage area, brine reclaim pond, subsurface containment infrastructure, and monitoring instrumentation was provided by Golder. The brine reclaim pond water level will be maintained by disposal of surplus brine in deep wells. Surplus brine will injected into the Deadwood Formation (approximately 90 m in thickness and 1,720 m below ground surface). Four brine disposal wells on the same pad are proposed. During early cavern development, the flow rate of surplus brine is estimated to be up to 1,862 m^3/hr (1,354 m^3/hr on average) if all sumps are developed in 14 months. It is estimated that 15 caverns per year are needed to replace depleted caverns, which will require the disposal of an average of 576 m^3/hr NaCl brine over the year. All potash production from the Southey Project site is loaded into railcars for transport and shipment to a port in Vancouver, BC. A spur to connect to the CN Rail (CN) main line is planned as well as a rail yard on site with an on-site rail loop, run-around track, and railcar storage tracks. The on-site rail is designed to store five complete, fully coupled, unit trains (two empty, two full, and one spare). A unit train will consist of approximately 170 railcars and three or four locomotives. Shipping 2.8 Mtpa of product requires an average of one train every 2.2 days. Yancoal requires a leased railcar fleet of 700-1,000 railcars. Based on the required shipment of 2.8 Mtpa of potash, Amec Foster Wheeler established port infrastructure requirements. For the FS, a memorandum of understanding was signed with what was known at the time as the Kinder Morgan terminal, located on the northern bank of the Burrard Inlet for the development of facilities for the shipping of the Southey product. The following new terminal infrastructure and associated upgrades to existing structures are required to support shipment of potash at the rate of 2.8 Mtpa at the Vancouver Wharves Terminal (formerly known as the Kinder Morgan terminal): • additional railway lines at the existing railway loop for hopper car storage and handling (170 unit trains, with three locomotives each) • one enclosed gravity-fed dumper pit (as minimum three railcar capacity) • Single arch storage building with a portal reclaimer and two trailing trippers for standard and granular potash product stacking

Criteria	Commentary
	• shiploader modifications for potash handling • dredging, underwater shoring to retain dredged fill, mooring bollard/fender system rehabilitation (as required), additional mooring/breasting dolphin structures to accommodate Panamax class. Sufficient labour and accommodations are expected to easily be sourced from the city of Regina and surrounding area for work at the project site, and from the city of Vancouver and surrounding area for the work at the port..
Costs	All capital and operating costs are stated in Canadian dollars. SLR reviewed the initial and updated capital cost estimate for the Project based on the FS for the Southey Project completed by AMEC Foster Wheeler (AMEC FW) in early 2016 and the Project Puma Technical Review, dated July 12, 2024 (the 2024 Technical Review) completed by Wood PLC (Wood) in July 2024. SLR notes that AMEC FW was acquired by Wood, and in effect, Wood updated their own cost estimates from a basis of Q4 2015 to Q1 2024 dollars. The updated capital cost is estimated to be C$5,463 million, comprising C$3,860 million of direct costs, C$890 million of indirect costs (including Owner's Costs), and a contingency allowance of C$713 million. The estimate is classified as Association for the Advancement of Cost Engineering (AACE) Class 3 with an expected accuracy of -10% to +15%. The FS estimate has been updated in the 2024 Technical Review and considers the following elements: • Revision of the exchange rates altering the USD/CAD to 1.355 from 1.32 in the 2016 FS. • Cost escalation has been accounted for considering updated labour rates and Federal Reserve Economic Data escalation indices. • Revised labour productivity factors to align with trend observed on recently executed projects which are higher than what was estimated. The updated estimate reflects higher labour productivity factor (i.e., lower productivity) which results in more hours for the task or a decrease in productivity. • Estimating methodology updates whereby design growth allowances have been included on labour, construction equipment, and subcontractor costs (in addition to materials in the prior estimate) • Inclusion of Saskatchewan PST (Provincial Sales Tax) at 6% now applicable to all field costs and 6% of 30% of Engineering and Procurement costs compared to previously applicable 5% on materials and equipment only. • The EPCM costs have been prorated based on the relative changes in Total Field Costs. • Extraction of the PST previously included Owner's Costs which is no shown separately based on a standard percentage included for the expected Owner's Costs. • The contingency has been increased to 15% from the previous allowance of 12%, based on a probabilistic analysis plus a separate amount for a SaskWater contingency. Items that are not considered and included in the update are: • Potential sourcing strategy revision whereby sourced from Asia in the prior estimate could be changed to domestic steel. This will lead to increase in costs.

Criteria	Commentary
	Sustaining capital costs were estimated in the FS as the cost associated with continuous expansion or improvement. Sustaining capital for the Project is separated into three categories: • Wellfield expenses, starting in year 9 and averaging C$12.73/t (2016 $) for well drilling and development and C$15.91 (2016 $) for well field pipelines commencing in year 8. • Processing plant and site expenses estimated at 0.25% to 1.5% of the plant replacement cost. • Reclamation expenses to cover well reclamation, bonds and C$0.50/t (2016 $) for TMA reclamation. SLR has applied the 47% capital cost increase applied to the capital cost estimate to update the life of mine (LOM) sustaining capital cost estimate to C$6,184 million. SLR reviewed the updated operating cost estimate for the Project based on the updated the FS operating cost estimate from Q4 2015 dollars to Q1 2024 dollars. Wood updated the FS operating cost estimate from Q4 2015 dollars to Q1 2024 dollars as follows: • Labour rates were updated based on 2023 labour contract for one of the nearby potash operations (/https://saskpotashcouncil.files.wordpress.com/2023/04/lanigan-2021-2024-cba-final-review-1.pdf). • Maintenance material costs were updated using the update capital costs for the mechanical equipment, piping, and tanks. Maintenance costs were estimated using 5% of the capital costs. • The rail car rental costs were escalated using the FRED index. • The rail freight costs were escalated using the Railway Association of Canada (RAC) Rail Trends - freight rates. • The water, reagents, wellfield costs, and port costs were escalated using 2.5% inflation per year (historically inflation has averaged close to 2.5% annually in Saskatchewan) from 2016 to 2023. This resulted in a factor of 1.0258 or 1.218 (21.8%). • Power costs were based on the published 2023 SaskPower rate schedule. • Natural gas costs were not changed from the FS based on the natural gas forecast from the Alberta Energy Regulator. • The estimated carbon tax, enacted subsequent to the 2016 FS, was included in the Wood cost estimate. The updated annual operating cost estimate in full operation and including the carbon tax is $519.8 million per year or $185.65/t of product in Q1 2024 dollars. No allowances were required for the presence of deleterious elements.
Revenue factors	For the revenue calculation, SLR used the potash pricing stated in the 2024 Technical Review (US$370/tonne). The pricing was provided by HFR to align the pricing used for financial analysis completed on the HFR Muga Project. The pricing provided was in nominal dollars and escalated according to forecasts and inflation. Given the potash pricing provided is in nominal dollars, beyond year 11 of the LOM prices have been inflated until the end of the LOM at 2.5% annually (historically inflation has averaged close to 2.5% annually in Saskatchewan). Price Premium for Granular Potash: US$20/tonne. For the foreign exchange rate, SLR used the FX rate used in the 2024 Technical Review of US$1 = C$1.355 (versus 1.32 used in the 2016 FS).

Criteria	Commentary
Market assessment	A market analysis report was prepared by CRU Consulting (CRU) in 2014 to support the FS. SLR is of the opinion that the market analysis should be updated to reflect the history and to generate a current outlook. According to Natural Resources Canada, global potash production was estimated at 64.6 million tonnes in 2022. Canada is the world's largest potash producer, accounting for 38% of the world's total in 2022. World production of potash was 53.2 million tonnes in 2013 and increased steadily to 71.9 million tonnes in 2021 before falling to 64.6 million tonnes in 2022. Canada's 10 active mines, owned by three companies and all in Saskatchewan, produced an estimated 24.6 million tonnes of potash in 2022, an increase of 1.3 million tonnes from 2021. BHP is developing the Jansen Stage 1 (S1) potash project in Saskatchewan, which is anticipated to start production in 2026. Jansen S1 is expected to produce approximately 4.35 million tonnes per year. Potash prices were in decline from 2013 until 2016 and remained relatively low until 2020. Prices averaged US$395 in 2013 and then gradually declined to a low of $207 in late 2016. In 2021, global potash prices increased in response to strong global demand, ending the year at US$807/tonne. Potash prices surged to record highs in 2022 following Russia's invasion of Ukraine, peaking at US$1,202/tonne in April of that year. Prices then declined to US$514 at the end of 2022. The minimum specification for saleable quality GMOP for use as fertiliser (outside China) is a 60% K_2O product, referred to as a K60 product. This means that at least 60% of the product, by weight, is K_2O, i.e., it is approximately 95% pure KCl.
Economic	The Southey Project was evaluated using a Cash Flow Analysis to test whether positive cashflow is generated based on the FS inputs and updated cost and price assumptions. For the purposes of confirming ore reserves, SLR has prepared a LOM after-tax cash flow model. Key criteria and results include: • Production period in cashflow analysis of 40 years, and it is noted that Ore Reserves remain at the end of the cashflow period. • Potash pricing (FOB Vancouver, nominal dollars): US$370/t in year -1, escalating at 2.5% per year to US$1,315 in year 40. • Exchange rate: C$/US$: 1.355. • LOM production of 109 Mt of MOP at an average grade of 60.5% KCl. • Nominal production rate of 2.8 Mtpa of MOP achieved in year 7. • Plant recovery average of 93%. • 60% of total MOP is standard product and 40% is granular product. • Total recovered product: 65.3 Mt MOP of standard product and 43.6 Mt MOP of granular product • Cost escalation factor: 2.5% per year • LOM operating costs: C$27,862 million (C$255.76/t KCl) • LOM natural gas carbon tax: C$5,636 million • Pre-production capital costs: C$5,419 million • Sustaining capital costs: C$382 million • Royalties: C$21,486 million • Corporate taxes: C$16,558 million • SLR demonstrated that positive cashflow is generated from the Project, thereby satisfying the requirement to declare Ore Reserves. SLR did not calculate NPV as the Project has not received a final investment decision.

Criteria	Commentary
Social	Yancoal engaged local residents, communities, First Nations and Métis communities, and regulatory agencies during the EIA process, and indicated that the company would provide updates and continue engagement as the Project develops. Non-Indigenous communities engaged included the regional municipality of Longlaketon and the towns of Southey and Strasbourg. A total of 15 First Nation and Métis communities were identified due to their proximity to the Project and based on having potential interest in the Project or the potential to be affected by the Project. • Carry the Kettle First Nation; • Day Star First Nation; • George Gordon First Nation; • Kawacatoose First Nation; • Little Black Bear First Nation; • Muscowpetung First Nation; • Muskowekwan First Nation; • Okanese First Nation; • Pasqua First Nation; • Peepeekisis First Nation; • Piapot First Nation; • Standing Buffalo First Nation; • Star Blanket First Nation; • Métis Eastern Region 3; and • Métis Western Region 3 Community updates for 2018 are provided on the company website. Yancoal informed SLR that the company met with Indigenous Nations in November 2024, and provided a letter of support for the Project from Muscowpetung Saulteaux Nation dated November 5, 2024. The Community Involvement Plan indicates that an advisory committee will be established and will develop a terms of reference. The composition of the group is proposed to include 35% local residents, 25% extended municipalities, 25% provincial and community services, 5% First Nations (optional), 5% Project team, and 5% other interests. The Kawacatoose First Nation and Muscowpetung First Nation were mentioned as potential First Nations committee representatives.

Criteria	Commentary
Other	Project risks include: • A high well count per pad. Additional well pads may be required. • Assumption of low percentage of fines in loadout. Likely to affect product handling characteristics. • Only a single liner in the process upset pond. • Rail loading rate of 1,000 t/hr has proven challenging at other sites, especially on a single track. • 125,000 kt product storage may be too small. • Capital costs may be higher, as the estimate is derived by inflation of the 2016 estimate. • Currency exchange rates – a stronger US$ would cost the Project more in C$. • Community support for the Project to gain the required construction and operating permits. • Environmental approvals: The EIA approval will remain valid as long as there are no material changes to the Project, and Yancoal submits an extension request should the Project not commence by August 9, 2026. There is however always a risk of delays in obtaining other approvals and permits for the Project. This risk can be mitigated by planning in advance and understanding the application requirements and processing times. Third party utilities will also likely require environmental approvals, however, this is outside of Yancoal's influence. • Land access: Yancoal has secured the land for the first phase of surface infrastructure, however, additional land will need to be accessed as mining progresses. Land acquisition will therefore be ongoing and could pose some risk. • Effect of BHP's Jansen Project and its planned expansion on the world potash markets. • Potash has been designated as a critical mineral in The Canadian Critical Minerals Strategy. Canada has required some foreign investors to divest some investments in other critical minerals.
Classification	When estimating Ore Reserves in the FS, approximately 35% of the Measured Resources were converted to Proved Reserves. No Measured Resources were converted to Probable Reserves. Approximately 39% of the Indicated Resources were converted to Probable Reserves. No Inferred mineral resources were converted to Ore Reserves. Ore Reserves were reported according to the JORC Code. SLR is of the opinion that there are no Measured Mineral Resources, accordingly SLR is of the opinion that there should be no Proved Ore Reserves and that all of the Ore Reserves should be considered to be Probable Ore Reserves. The Competent Person has reviewed the risks, opportunities, conclusions, and recommendations and is not aware of any conditions that would put the Ore Reserve at a higher risk level than any other North American developing project.
Audits or reviews	In 2016, Advisian Worley Parsons Group completed an audit on the 2016 FS. Advisian considered the Ore Reserve estimate to be slightly aggressive and recommended that losses of 9% (as opposed to 5%) be applied in the conversion of Measured Mineral Resources. Advisian did not consider the difference to be material.
Discussion of relative accuracy/ confidence	The Ore Reserve estimates were prepared according to the JORC Code. The relative confidence of the estimates contained fall within the definitions of Proved and Probable Ore Reserves.

7.0 Competent Person Statements

February 14, 2025

Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Report name

Independent Specialist Report – Southey Project, Muga Project, and Other Spanish Assets

(Insert name or heading of Report to be publicly released) ('Report')

Highfield Resources Ltd.

(Insert name of company releasing the Report)

Southey Deposit

(Insert name of the deposit to which the Report refers)

If there is insufficient space, complete the following sheet and sign it in the same manner as this original sheet.

February 14, 2025

(Date of Report)

Statement

I/We,

Deliang Han, Ph.D., P.Geo.

(Insert full name(s))

confirm that I am the Competent Person for the Report and:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).
- I am a Competent Person as defined by the JORC Code 2012 Edition, having five years experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Member or Fellow of The Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists or a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.

I/We am a full time employee of

Agapito Associates, LLC

(Insert company name)

Or

I/We am a consultant working for

(Insert company name)

and have been engaged by

Highfield Resources Ltd.

(Insert company name)

to prepare the documentation for

Southey Deposit

(Insert deposit name)

on which the Report is based, for the period ended

February 14, 2025

(Insert date of Resource/Reserve statement)

I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.

I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Exploration Targets, Exploration Results, Mineral Resources and/or Ore Reserves (select as appropriate).

Consent

I consent to the release of the Report and this Consent Statement by the directors of:

Highfield Resources Ltd.

(insert reporting company name)

"signed"	February 14, 2025
Signature of Competent Person	Date
Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS)	23270
Professional Membership *(insert organisation name)*	Membership Number
"signed"	Biao Qiu, Grand Junction, CO
Signature of Witness	Print Witness Name and Residence (eg town/suburb)

February 14, 2025

Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Report name

Independent Specialist Report – Southey Project, Muga Project, and Other Spanish Assets

(Insert name or heading of Report to be publicly released) ('Report')

Highfield Resources Ltd.

(Insert name of company releasing the Report)

Southey Deposit

(Insert name of the deposit to which the Report refers)

If there is insufficient space, complete the following sheet and sign it in the same manner as this original sheet.

February 14, 2025

(Date of Report)

SLR Consulting (Canada) Ltd.
55 University Ave., Suite 501, Toronto, ON M5J 2H7

February 14, 2025

Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Report name

Independent Specialist Report – Southey Project, Muga Project, and Other Spanish Assets

(Insert name or heading of Report to be publicly released) ('Report')

Highfield Resources Ltd.

(Insert name of company releasing the Report)

Southey Deposit

(Insert name of the deposit to which the Report refers)

If there is insufficient space, complete the following sheet and sign it in the same manner as this original sheet.

February 14, 2025

(Date of Report)

Statement

I/We,

Arun Vathavooran, CEng, FIMMM

(Insert full name(s))

confirm that I am the Competent Person for the Report and:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).
- I am a Competent Person as defined by the JORC Code 2012 Edition, having five years experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Member or Fellow of The Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists or a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.

I/We am a full time employee of

SLR Consulting Limited

(Insert company name)

Or

I/We am a consultant working for

(Insert company name)

and have been engaged by

Highfield Resources Ltd.

(Insert company name)

to prepare the documentation for

Southey Deposit

(Insert deposit name)

on which the Report is based, for the period ended

February 14, 2025

(Insert date of Resource/Reserve statement)

I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.

I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Exploration Targets, Exploration Results, Mineral Resources and/or Ore Reserves (select as appropriate).

Consent

I consent to the release of the Report and this Consent Statement by the directors of:

Highfield Resources Ltd.

(insert reporting company name)

"signed"	February 14, 2025
Signature of Competent Person	Date
Engineering Council UK Institute of Materials, Minerals, and Mining	579205 444570
Professional Membership *(insert organisation name)*	Membership Number
"signed"	Natalia Dyatlova, Toronto
Signature of Witness	Print Witness Name and Residence (eg town/suburb)

Additional deposits covered by the Report for which the Competent Person signing this form is accepting responsibility:

It is noted that this consent applies only to the Southey Deposit

Additional Reports related to the deposit for which the Competent Person signing this form is accepting responsibility:

N/A

"signed"	February 14, 2025
Signature of Competent Person	Date
Engineering Council UK Institute of Materials, Minerals, and Mining	579205 444570
Professional Membership *(insert organisation name)*	Membership Number
"signed"	Natalia Dyatlova, Toronto
Signature of Witness	Print Witness Name and Residence (e.g., town/suburb)

SLR Consulting (Canada) Ltd.
55 University Ave., Suite 501, Toronto, ON M5J 2H7

February 14, 2025

Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Report name

Independent Specialist Report – Southey Project, Muga Project, and Other Spanish Assets

(Insert name or heading of Report to be publicly released) ('Report')

Highfield Resources Ltd.

(Insert name of company releasing the Report)

Southey Deposit

(Insert name of the deposit to which the Report refers)

If there is insufficient space, complete the following sheet and sign it in the same manner as this original sheet.

February 14, 2025

(Date of Report)

Statement

I/We,

David M. Robson, P.Eng.

(Insert full name(s))

confirm that I am the Competent Person for the Report and:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).
- I am a Competent Person as defined by the JORC Code 2012 Edition, having five years experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Member or Fellow of The Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists or a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.

I/We am a full time employee of

SLR Consulting (Canada) Ltd.

(Insert company name)

Or

I/We am a consultant working for

(Insert company name)

and have been engaged by

Highfield Resources Ltd.

(Insert company name)

to prepare the documentation for

Southey Deposit

(Insert deposit name)

on which the Report is based, for the period ended

February 14, 2025

(Insert date of Resource/Reserve statement)

I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.

I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Exploration Targets, Exploration Results, Mineral Resources and/or Ore Reserves (select as appropriate).

Consent

I consent to the release of the Report and this Consent Statement by the directors of:

Highfield Resources Ltd.

(insert reporting company name)

"signed"	February 14, 2025
Signature of Competent Person	Date
Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS)	13601
Professional Membership *(insert organisation name)*	Membership Number
"signed"	Natalia Dyatlova, Toronto
Signature of Witness	Print Witness Name and Residence (eg town/suburb)

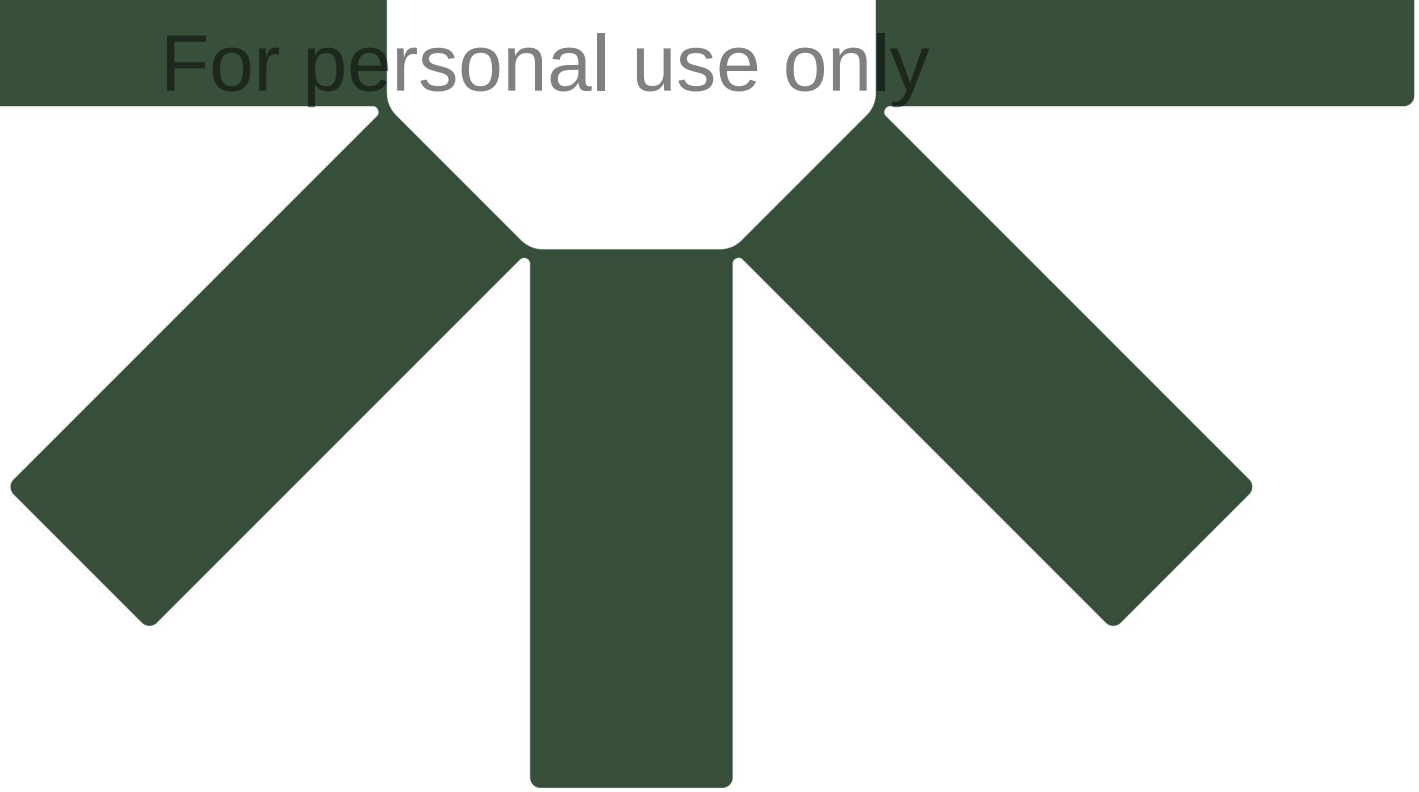
Additional deposits covered by the Report for which the Competent Person signing this form is accepting responsibility:

It is noted that this consent applies only to the Southey Deposit

Additional Reports related to the deposit for which the Competent Person signing this form is accepting responsibility:

N/A

"signed"	February 14, 2025
Signature of Competent Person	Date
Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS)	13601
Professional Membership *(insert organisation name)*	Membership Number
"signed"	Natalia Dyatlova, Toronto
Signature of Witness	Print Witness Name and Residence (e.g., town/suburb)



Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

HIGHFIELD RESOURCES LIMITED | ABN 51 153 918 257

Your proxy voting instruction must be received by **4.30pm (ACDT) on Tuesday, 18 March 2025**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS
The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home** Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY
If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING
Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of Key Management Personnel.

STEP 2 - VOTES ON ITEMS OF BUSINESS
You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY
You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS
Individual: Where the holding is in one name, the Shareholder must sign.
Joint holding: Where the holding is in more than one name, all Shareholders should sign.
Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.
Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.
Email Address: Please provide your email address in the space provided.
By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES
If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automicgroup.com.au.

Lodging your Proxy Voting Form:

Online
Use your computer or smartphone to appoint a proxy at https://investor.automic.com.au/#/loginsah or scan the QR code below using your smartphone
Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.

BY MAIL:
Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:
Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:
meetings@automicgroup.com.au

BY FACSIMILE:
+61 2 8583 3040

All enquiries to Automic:
WEBSITE:
https://automicgroup.com.au

PHONE:
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

STEP 1 - How to vote

APPOINT A PROXY:

I/We being a Shareholder entitled to attend and vote at the Extraordinary General Meeting of HIGHFIELD RESOURCES LIMITED, to be held virtually at **4.30pm (ACDT) on Thursday, 20 March 2025** hereby:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for", "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

VIRTUAL PARTICIPATION AT THE MEETING:

The Company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

To access the virtual meeting:

1. Open your internet browser and go to **investor.automic.com.au**
2. Login with your username and password or click **"register"** if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**

Further information on how to do this is set out in the Notice of Meeting. The Explanatory Notes that accompany and form part of the Notice of Meeting describe the various matters to be considered.

STEP 2 - Your voting direction

Resolutions		For	Against	Abstain
1	Approval of issue of Consideration Shares and YK Cornerstone Shares to YK	☐	☐	☐
2	Approval of issue of Other Strategic Investor Cornerstone Shares	☐	☐	☐
3	Election of Mr Zhao Zhiguo, a nominee of YK, as a director of the Company	☐	☐	☐
4	Election of Mr Zhang Zhaoyun, a nominee of YK, as a director of the Company	☐	☐	☐
5	Election of Dr Zhang Lei, a nominee of YK, as a director of the Company	☐	☐	☐
6	Election of Mr Hou Qingdong, a nominee of YK, as a director of the Company	☐	☐	☐
7	Election of Mr Li Jie, a nominee of YK, as a director of the Company	☐	☐	☐
8	Election of Mr. Huang Hui, a nominee of Beijing Energy, as a director of the Company	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 – Signatures and contact details

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY) ☐☐ / ☐☐ / ☐☐

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).