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27 April 2012

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**Officeholders**

Anthony Hall  
Jonathan Murray  
Mark Arundell  
Aaron Bertolatti  
Scott Funston

**Issued Capital:**

44.0 million shares

**ASX Symbol:**

HFR

# MARCH 2012 QUARTERLY ACTIVITIES REPORT

## HIGHLIGHTS

- ✓ **Positive discussions with Nurrara Traditional Owners**
- ✓ **Drilling contractor negotiations in train**
- ✓ **The Company has been reviewing a number of advanced potash exploration projects**

## MCLARTY POTASH PROJECT

The McLarty Potash project comprises three contiguous exploration tenements located in the south Kimberley region of northern Western Australia (Figure 1).

The McLarty Potash project is located in the Canning Basin which contains vast accumulations of evaporite (salt) sediments considered prospective for economic potash mineralisation. The Project is centred on the McLarty Sub-basin where the prospective Mallowa Salt unit is interpreted to be approximately 640m deep (Figure 2).

Two robust high ranking potash targets have been identified for drill testing (Figure 3).

Drilling is currently scheduled to commence in mid-2012 with initial core sample analysis results expected in late 2012.

Key milestones for drilling completion include:

- Confirmation of targets;
- Identification and confirmation of access route to targets;
- Identification and confirmation of location of water wells, camp site and airstrip;
- Negotiation of access with Traditional Owners including heritage clearance activities;
- Identification of infrastructure works contractor and negotiation of works contract;
- Identification of drilling contractor and negotiation of contract; and
- Completion of relevant State Government regulatory requirements.

As an important risk mitigation strategy, the approach of the Company has been to engage local contractors with significant local experience. Additionally, the Company executive is substantially involved in all processes and negotiation to ensure relevant stakeholders have direct access. This involvement extends to direct negotiation of contracts with contractors, presenting and negotiating directly with Traditional Owners, participating in heritage clearance activities and generally being visible in the community.

The Company's focus is on discovering economic potash mineralisation which will ensure there is long term participation in the Kimberley region of Western Australia. The Company intends to be active participants in the community and appropriately engage with all key stakeholders. Significantly, this extends to establishing positive relations with the Nurrara Traditional Owners, the traditional owners of the country where the tenements are located.

Important progress has been made over the past quarter including:

- Access route determined;
- Positive initial discussions with Nurrara Traditional Owners; and
- Drilling contractor negotiations ongoing with locally based contractor with significant Canning Basin experience

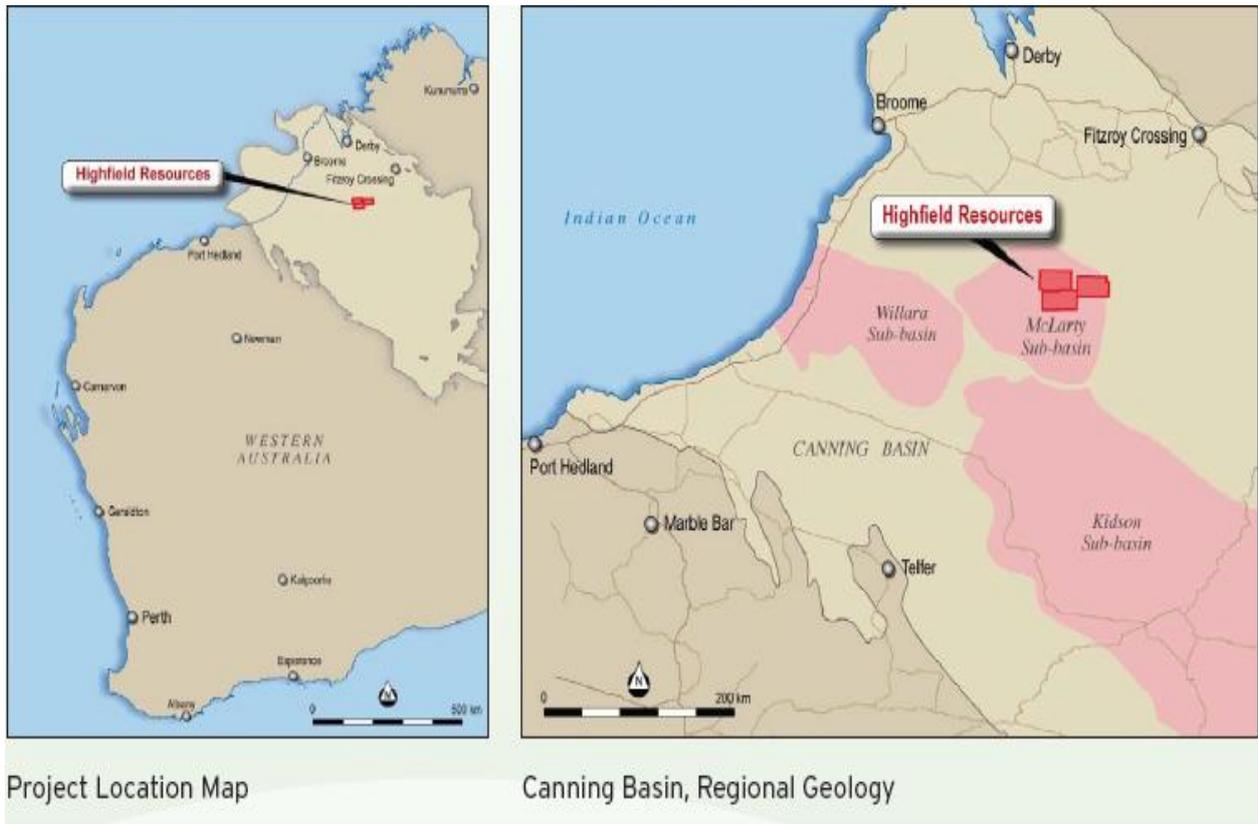
## **CORPORATE**

The Company has been evaluating a number of opportunities during the last quarter. A number of advanced potash projects have been offered for review both in Australia and overseas.

### **Anthony Hall Managing Director**

*The information in this report that relates to Mineral Resources and Exploration Results are based on information compiled by Mr Mark Arundell who is a member of the Australian Institute of Geoscientists. Mr Arundell is the Exploration Director of Highfield Resources Limited. Mr Arundell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Arundell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**Figure 1 – Project Location Map**



**Figure 2 – Tenement Location Map within McLarty Sub-basin**

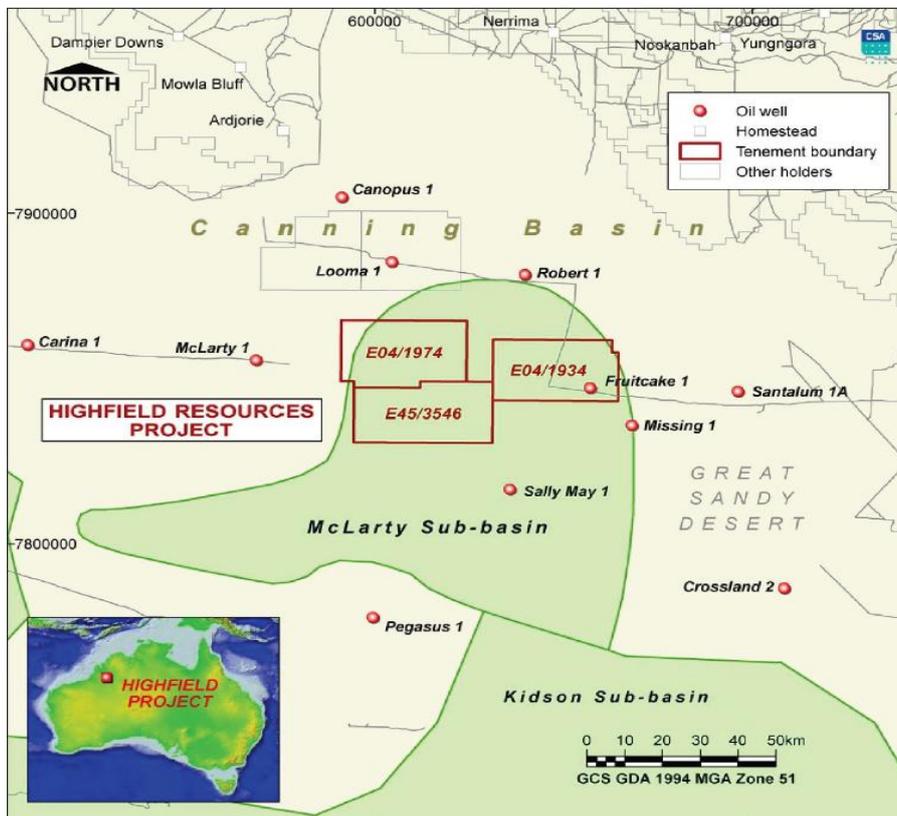


Figure 3 – Drill Targets

