ASX Release
19 October 2017

SEPTEMBER 2017 QUARTERLY ACTIVITIES REPORT

Overview

- Commenced voluntary public consultation process for the Muga Potash Mine Environmental and Social documentation
- Open Day hosted in Sangúesa for local stakeholders
- Additional metallurgical test work program commenced to confirm and optimise the Muga process flow sheet
- Acciona confirmed as a preferred contractor for parts of Muga Project
- Completed exploratory drill hole at Vipasca permit

Financial Status:

- Cash at bank as at 30 September 2017: A$67.9m.

Plans for December Quarter 2017:

Muga Potash Mine:

- Complete and close public consultation on the Company's environmental submission for the Muga Potash Mine
- Finalise responses to any new submissions arising from public consultation process
- Ongoing preparation for construction and operational readiness
- Complete metallurgical test work program

Other Projects:

- Two exploration drill holes planned for Sierra del Perdón.

Highfield Resources Ltd.
ACN 153 918 257
ASX: HFR

Issued Capital
329.2 million shares
41.15 million options
50.0 Performance B Shares

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Muga Potash Project

Overview

Highfield Resources (ASX: HFR) ("Highfield" or "the Company") is a Spanish potash developer. The Company's flagship Muga Potash Project ("Muga" or "the Project") is targeting the relatively shallow sylvinite beds in the Muga Project area that cover about 80km^2 in the Provinces of Navarra and Aragon. Mining is planned to commence at a depth of approximately 350 metres from surface and is therefore ideal for a relatively low cost conventional mine, as demonstrated in the Company's Muga Project Optimisation Study completed in November 2015 (refer to ASX announcement dated 17 November 2015).

Permitting Update

On 1 May 2017, the Company announced (refer ASX release "Formal Responses to Government on Muga Potash Project Submitted") that it had submitted its revised environmental document to the Ministry of Agriculture, Fishing, Food and Environment ("MAPAMA"). The submission document, which included answers to all technical queries raised by the referral authorities and MAPAMA, as well as additional technical work completed by the Company, was compiled with the assistance of Highfield's Spanish consultants, TYPSA. MAPAMA requested clarification and reconsideration on several components of the Project, which the company addressed and, where possible, incorporated into the Project.

The Company announced that in addition to the MINETAD formal request for comments from interested parties (refer ASX release 12 July 2017, Muga Project Permitting Environmental Update), it would pursue a public voluntary consultation period for this documentation, which commenced on 4 September 2017 (refer ASX release 11 September 2017, "Public Consultation Underway"). Whilst there is no legislative requirement for this public consultation process, Highfield believes it is important to allow stakeholders of the Project the opportunity to make final comments prior to the award of the DIA.

The public consultation period closed on 16 October 2017. Highfield will work closely with the relevant authorities to address any new items that may be raised by stakeholders of the Project.

In early October, the Company hosted an Open Day at its facilities in the town of Sangüesa which is located close to the Project. In total, approximately 200 people, including the Mayors of most local townhalls, took the opportunity to visit and hear about the Project from members of Highfield's Spanish team. Open Days will form a key part of the Company's stakeholder engagement plan throughout the permitting, construction and operating phases of Muga.

Muga Mine Development Progress

During the quarter, the Company has taken the opportunity to conduct additional confirmatory metallurgical test work. This work includes a full, end-to-end, test of the process flow sheet and some additional tests to address areas which could be improved through design changes. This may lead to some optimisation of the flow sheet.

During the quarter, the Company advanced its project cost and schedule review (refer ASX release 18 July 2017, June 2017 Quarterly Activities Report) with Bovis. This work is ongoing and will be finalised upon completion of the metallurgical testwork programme described above.

In December 2015, Highfield announced (refer ASX announcement 29 December 2015, "Highfield Resources enters into Collaboration Agreement with Acciona to Construct Muga Potash Mine; Advances Project Finance Credit Approvals") it had entered into a collaboration agreement with global construction firm Acciona Infraestructuras, part of the Acciona Group of Companies ("Acciona"). During the ensuing 18 months, the Company and Acciona collaborated to review capital cost estimates and schedules for

various parts of the Muga Potash Project. On 2 October 2017, the Company signed a new and revised Memorandum of Understanding ("MOU") with Acciona appointing it as the preferred construction contractor for selected packages in the construction of the Muga Potash Mine.

Acciona is a well credentialed, global construction firm based in Spain with experience in complex industrial projects.

Project Financing

During the quarter, the Company continued its dialogue with its Project Finance syndicate with respect to the €185 million facility for Muga. It also engaged with other potential providers of capital.

Highfield remains confident of putting in place its debt financing following receipt of all approvals, to support a final investment decision and the commencement of construction.

Pintanos Potash Project

Highfield´s 100% owned Pintanos Project (see Figure 1) abuts the Muga Project and covers an area of 60km^2. Depths from surface to mineralisation commence at around 500 metres. The Company is building on substantial historical potash exploration information which includes seven drill holes and ten seismic profiles completed in the late 1980s.

During the quarter, limited additional work was carried out.

Sierra del Perdón

Highfield´s 100% owned Sierra del Perdón ("SdP") Project (see Figure 1) is located south east of Pamplona and covers approximately 145km^2. SdP is a brownfields project with two potash mines operating from the 1960s through until the late 1990s producing nearly 500,000 tonnes of K60 MOP per annum. The Company completed a Scoping Study on SdP (refer ASX announcement 20 April 2015) which confirmed the technical and economic viability of the project.

During the period limited work was carried out at SdP.

Vipasca

Highfield´s 100% owned Vipasca Project ("Vipasca") is located adjacent to the Muga Project and covers approximately 120km^2. The tenement is highly prospective for economic potash mineralisation, with primary focus on the deeper, higher grade, P1 and P2 potash horizons.

During the quarter, the Company completed a drill hole at Vipasca. It was designed to test the deeper mineralisation towards the west, beyond the north west extension of the deposit. Preliminary analysis of the core indicated a steeper dip in the bedding relative to the surrounding area than what was expected. In addition, some faulting was encountered, which led the Company to believe the evaporite unit was significantly deeper than first expected. The drill hole was abandoned at 1,022 metres without crossing the evaporitic unit or the expected marker horizons above.

Highfield plans to undertake an extensive geophysical (TDEM) program to complement the drill program in the 2018 calendar year.

Other Projects

The Company has an additional 100%-owned project in the basin (see Figure 1) known as Izaga. Limited work was carried out on this project during the quarter.

Corporate

On 28 September 2016, the Company gave notice that the Company's 2016 annual accounts would be adjusted to reflect a reduction in the carrying balance for the Performance Share Reserve from A$11.5 million to zero (refer ASX Announcement 28 September 2016, "Reduction in Performance Share Reserve Balance in Company Accounts"). This balance was associated, in its entirety, with the remaining 50 million Performance B Shares ("B Shares") which were issued as a part of the consideration for the acquisition of the Spanish potash assets. This change, which was precipitated by the preparation of the 2016 annual accounts, reflected the Board's view at that time that there was less than 50% probability of the vesting condition, attaching to the B Shares, being met by the vesting date of 18 October 2017.

The Company hereby confirms that, as of 18 October 2017, the vesting condition had not been met and, as a result, the Company will redeem the 50 million B Shares for a nominal A$0.000001 per share (total consideration A$50).

Cash Position

The Company continues to actively pursue options to preserve cash whilst at the same time committing to expenditure required for permitting and project optimisation activities.

As at 30 September 2017, the Company had A$67.9 million in cash on its balance sheet.

For more information:

Highfield Resources

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About Highfield Resources

Highfield Resources is an ASX listed potash company with five 100% owned projects located in Spain.

Highfield's Muga, Vipasca, Pintanos, Izaga and Sierra del Perdón potash projects are located in the Ebro potash producing basin in Northern Spain, covering a project area of more than 550km^2. The Sierra del Perdón project includes two former operating potash mines.

The Company completed a Definitive Feasibility Study for its flagship Muga Project in March 2015, which was optimised in November 2015 to enhance operational efficiencies, sales and marketing activities and the life of mine. Highfield is awaiting a positive environmental declaration, the award of its mining concessions and other permits which will enable it to commence construction of the Mine.

In addition to the existing Muga Project, Highfield also has significant Exploration Targets for an extension to Muga, as well as for the Vipasca and Pintanos Potash Projects.

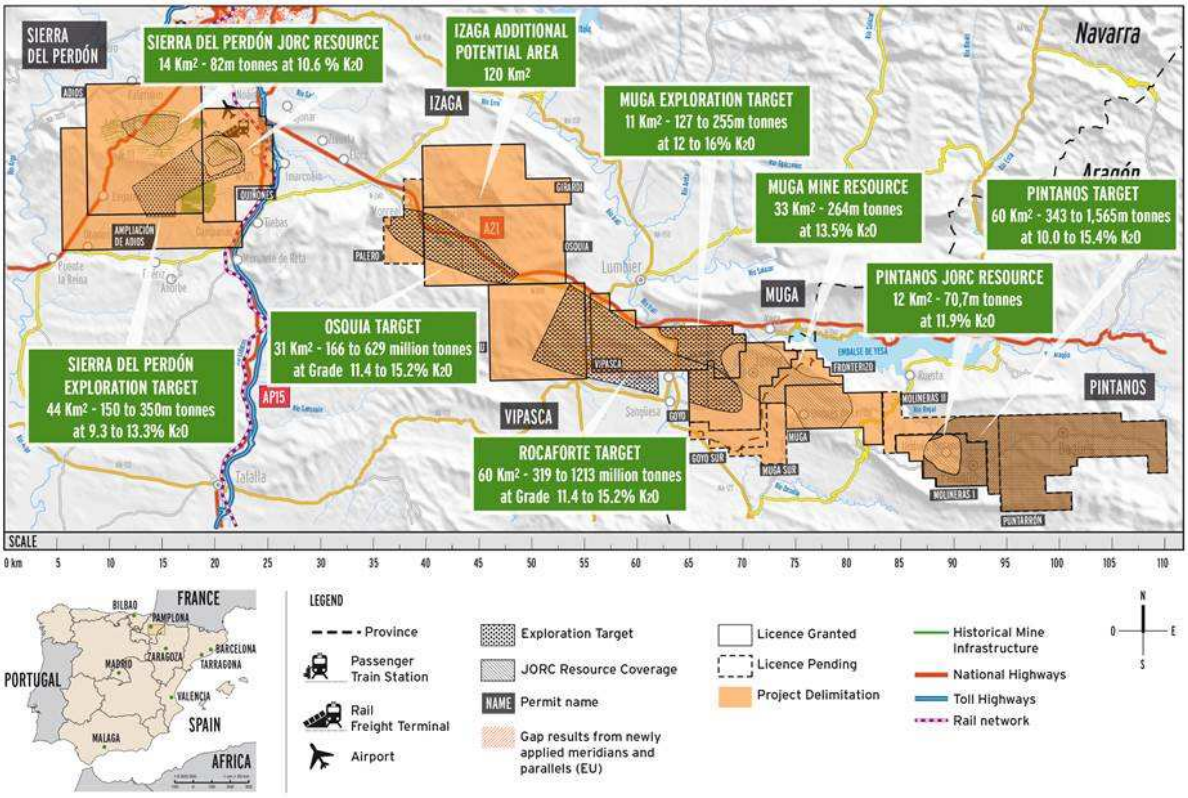

Figure 1: Location of Highfield´s Muga, Vipasca, Pintanos, Izaga and Sierra del Perdón Projects in Northern Spain*

The potential quantity and grade of the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource

Competent Persons Statement

This ASX release was prepared by Mr. Peter Albert, Managing Director of Highfield Resources. The information in this release that relates to Ore Reserves, Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Mr José Antonio Zuazo Osinaga, Technical Director of CRN, S.A.; and Mr Manuel Jesús Gonzalez Roldan, Geologist of CRN, S.A. Mr José Antonio Zuazo Osinaga is a licensed professional geologist in Spain, and is a registered member of the European Federation of Geologists, an accredited organisation to which Competent Persons (CP) under JORC 2012 Code Reporting Standards must belong in order to report Exploration Results, Mineral Resources, Ore Reserves or Exploration Targets through the ASX. Mr José Antonio Zuazo Osinaga has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as CP as defined in the 2012 edition of the JORC Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Table 1: Summary of Highfield's Mineral Interests as at 30 September 2017

Project	Region	Permit Name	Permit Type	Applied	Granted	Ref #	Area Km^2	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	07/08/2012	35760	32.48	Geoalcali SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	07/08/2012	35770	75.60	Geoalcali SL	100%
Sierra del Perdón	Navarra	Amplicación de Adiós	Investigation	26/10/2012	14/02/2014	35880	40.90	Geoalcali SL	100%
							148.98		
Izaga	Navarra	Girardi	Investigation	28/04/2015	26/01/2017	35950	38.57	Geoalcali SL	100%
izaga	Navarra	Osquia	Investigation	28/04/2015	12/01/2017	35970	57.42	Geoalcali SL	100%
Izaga	Navarra	Palero	Investigation	12/05/2017	Pending	36000	11.76	Geoalcali SL	100%
							107.75		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	38.92	Geoalcali SL	100%
Vipasca	Navarra	Borneau	Investigation	28/04/2015	12/01/2017	35960	80.33	Geoalcali SL	100%
							119.25		
Muga	Navarra	Goyo	Investigation	19/07/2011	24/12/2012	35780	27.72	Geoalcali SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	Pending	35920	8.96	Geoalcali SL	100%
Muga	Aragón	Fronterizo	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	9.80	Geoalcali SL	100%
Muga	Aragón	Muga	Investigation	29/05/2013	07/04/2014	3500	20.40	Geoalcali SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	3524	7.28	Geoalcali SL	100%
							74.16		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18.20	Geoalcali SL	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Pending	3495/20	16.80	Geoalcali SL	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Pending	3510	30.24	Geoalcali SL	100%
							65.24		
						Total	**515.38**		
Muga	Navarra	Goyo	Concession	10/12/2014	Pending	35780	14.79	Geoalcali SL	100%
Muga	Aragón	Fronterizo	Concession	10/12/2014	Pending	Z-3502/N-3585	8.70	Geoalcali SL	100%
Muga	Aragón	Muga	Concession	10/12/2014	Pending	3500	15.08	Geoalcali SL	100%

Location: All permits are located in Spain.

Holder: All permits are held by Geoalcali SL, a 100% owned Spanish subsidiary of Highfield Resources Limited.

Changes: There were no changes during the period.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

HIGHFIELD RESOURCES LIMITED

ABN	**Quarter ended ("current quarter")**
51 153 918 257	30 September 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(1,682)	(1,682)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(550)	(550)
	(e) administration and corporate costs	(175)	(175)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,403)**	**(2,403)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1)	(1)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(1)**	**(1)**

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	69,560	69,560
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,403)	(2,403)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	697	697
4.6	**Cash and cash equivalents at end of period**	**67,853**	**67,853**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	67,853	69,560
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**67,853**	**69,560**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	368
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments for Directors consulting fees and Directors salaries - $368k

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

N/A

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	(3,331)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(699)
9.5	Administration and corporate costs	(258)
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**(4,288)**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	–	-	-	–

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date: 19 October 2017

(CFO)

Print name: Mike Norris

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.