

ASX Release
24 April 2019

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2019

Overview

- Updated Ore Reserves Estimate released on 22 January 2019 – confirming the technical and economic viability of the Muga Project
- New drill hole started at Vipasca on 23 March 2019
- Continued constructive interaction with relevant authorities on the anticipated final aspects of their review work for the environmental permit for the Muga Project.
- Company's Annual Report (which included its Environmental Sustainability Report) released on 28 March 2019
- Cash at bank as at 31 March 2019: A\$50.2m

Highfield Resources Limited
ACN 153 918 257
ASX: HFR

Issued Capital
329.5 million shares
43.75 million options

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Muga Project

Overview

Highfield Resources (ASX: HFR) (“Highfield” or “the Company”) is a Spanish potash developer. The Company’s flagship Muga Project (“Muga” or “the Project”) is targeting the relatively shallow sylvinite beds in the Muga Project area that cover about 60km² 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.

The Vipasca permit area (see Figure 3) is located adjacent to the Muga Project and covers approximately 27km². Some areas of the tenement are highly prospective for economic potash mineralisation, with a primary focus on the deeper, higher grade, P1 and P2 potash horizons.

Muga Project Approvals Process

As reported in July 2018 (refer ASX release 16 July 2018, “Update on Muga Mine Environmental Permitting Process”) the final clarification documentation has been submitted to the Spanish Ministry for Ecological Transition (Ministerio para la Transición Ecológica (“MITECO”). MITECO then distributed the Company’s documentation to 14 other regulatory bodies. Prior to the end of December 2018, MITECO had received all of the response reports from the regulatory bodies, which it is now reviewing prior to making its decision on the award of the environmental permit, the Declaración de Impacto Ambiental (“DIA”). During the first quarter of 2019 the Company has continued to maintain open and constructive communication with MITECO and all relevant regulatory bodies and to promptly provide further information and clarification to facilitate the approval process.

The Company remains confident of receiving a positive outcome to the environmental permitting process.

In the meantime the Company is continuing to prepare detailed documentation for submission post the DIA approval to support the Mining Concession Approval and subsequent construction permits.

Muga Project and Vipasca Permit Technical Update

On 22 January 2019 the Company released an updated Ore Reserves estimate for Muga (refer ASX release “Updated Ore Reserves Estimate – Muga Project”). The Proved and Probable Ore Reserves were derived from the Measured and Indicated Mineral Resources of 235 million tonnes released by the Company on 10 October 2018 (refer ASX release 10 October 2018 “Updated Mineral Resources Estimate – Muga Project”) and comprise 108.7 million tonnes at 10.2% K₂O, with Proved Ore Reserves of 42.9 million tonnes at 10.2% K₂O and Probable Ore Reserves of 65.8 million tonnes at 10.2% K₂O. The updated Ore Reserves estimate was developed by Highfield Resources under the guidance and review of SRK Consulting (UK) Limited. The Ore Reserves estimate adds additional certainty to the Muga Project Update (refer ASX release 15 October 2018 “Muga Project Update”) and confirms the technical and economic validity of the Project.

Further improvements to the processing plant at the Muga Project are being tested which could result in overall enhanced recoveries.

The Company has been focusing on the more prospective areas towards the east of the Vipasca permit and in the fourth quarter of 2018 completed two drill holes. Drill hole V17-03 ended at 925m with an in-hole intercept of 52 metres of potash bearing rock while the second drill hole V17-02 intersected a thin potash seam (see Figure 3). Samples from these two holes have been sent to a laboratory for analysis and the assay results will be reported when available.

During the Quarter, the Company has continued its drilling programme at Vipasca starting a new drill hole, V18-01 (see Figure 3), on 23 March 2019. The assay results of this drill hole will be released to the market when available.

Vipasca Tenement Update

The Muga Project Update (refer ASX release 15 October 2018 “Muga Project Update”) also confirmed the strategic importance of Vipasca as a potential extension of the Muga Project. In February 2019 the Company relinquished the less prospective tenement of Borneau to focus on the higher potential Vipasca permit located adjacent to the Muga Project. Following this change the Vipasca permit, which covers approximately 27km², is now reported with the Muga Project.

Project Financing

The Company has continued to update the Project Finance syndicate on project development with respect to the financing facility for Muga.

Highfield remains confident of putting in place its debt and equity financing in due course, to support a final investment decision and the commencement of construction.

Pintanos Tenement Area

Highfield’s 100% owned Pintanos tenement area, comprising the three permits of Molineras 1, Molineras 2 and Puntarrón (see Figure 1) abuts the Muga Project and covers an area of 65km². 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.

The Company has re-initiated the application process for the drilling permit Molineras 2 following the conclusion of the public consultation period. The Company will respond to any comments received during the consultation period.

Sierra del Perdón Tenement Area

Highfield’s 100% owned Sierra del Perdón tenement area (“SdP”) comprising the three permits of Quiñones, Adiós and Ampliación de Adiós (see Figure 1 and Figure 2) is located south east of Pamplona and covers approximately 120km². SdP is a brownfield target which previously hosted two potash mines operating from the 1960s until the late 1990s producing nearly 500,000 tonnes of K60 potash per annum. There is potential for potash exploitation in new, unmined areas in the SdP area.

The Company was advised in the fourth quarter of 2018 that the second three year extension application for the Adiós and Quiñones permits had been rejected by the mining department of the Government of Navarra. The Company has obtained legal advice and is progressing an appeal process with regards to this decision. It is confident of a positive resolution.

Izaga Tenement Area

The Company has an additional 100% owned tenement area in the Ebro basin (see Figure 1) known as Izaga. Izaga covers an area of more than 57km², where historic drill holes and 2D seismic show a relatively continuous evaporite with drill hole intersects containing potash.

Previously the Izaga tenement area comprised the three permits of Girardi, Palero and Osquia. In February 2019 the Company relinquished the less prospective areas of Girardi to the north of the Osquia permit and Palero to the west of the Osquia permit in order to focus on the more prospective Osquia permit. No additional field work was carried out on this permit during the Quarter.

Cash Position

The Company continues to actively preserve cash whilst at the same time committing to expenditure required for permitting and Project optimisation activities. As at 31 March 2019, the Company had A\$50.2 million in cash on its balance sheet.

Plans for June Quarter 2019

Muga Project:

- Continue preparation for the next steps in the approval process, including development of documentation relating to the Mining Concession and construction permits to enable timely submission.
- Continue trials on potential process improvements.

Vipasca Permit:

- Review assay results for drill holes V17-02 and V17-03
- Continue to progress drilling programme at V18-01

Other Permits:

- Continue to progress the appeal process for the second three year extension application for the Adiós and Quiñones permits at Sierra del Perdón.

For more information:

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About Highfield Resources

Highfield Resources is an ASX listed potash company with four 100% owned tenement areas located in Spain.

Highfield's Muga-Vipasca, Pintanos, Izaga and Sierra del Perdón potash tenement areas are located in the Ebro potash producing basin in Northern Spain, covering an area of around 335km².

Highfield is awaiting the granting of a positive environmental permit, the award of the mining concession and other permits which will enable it to commence construction of the Mine.

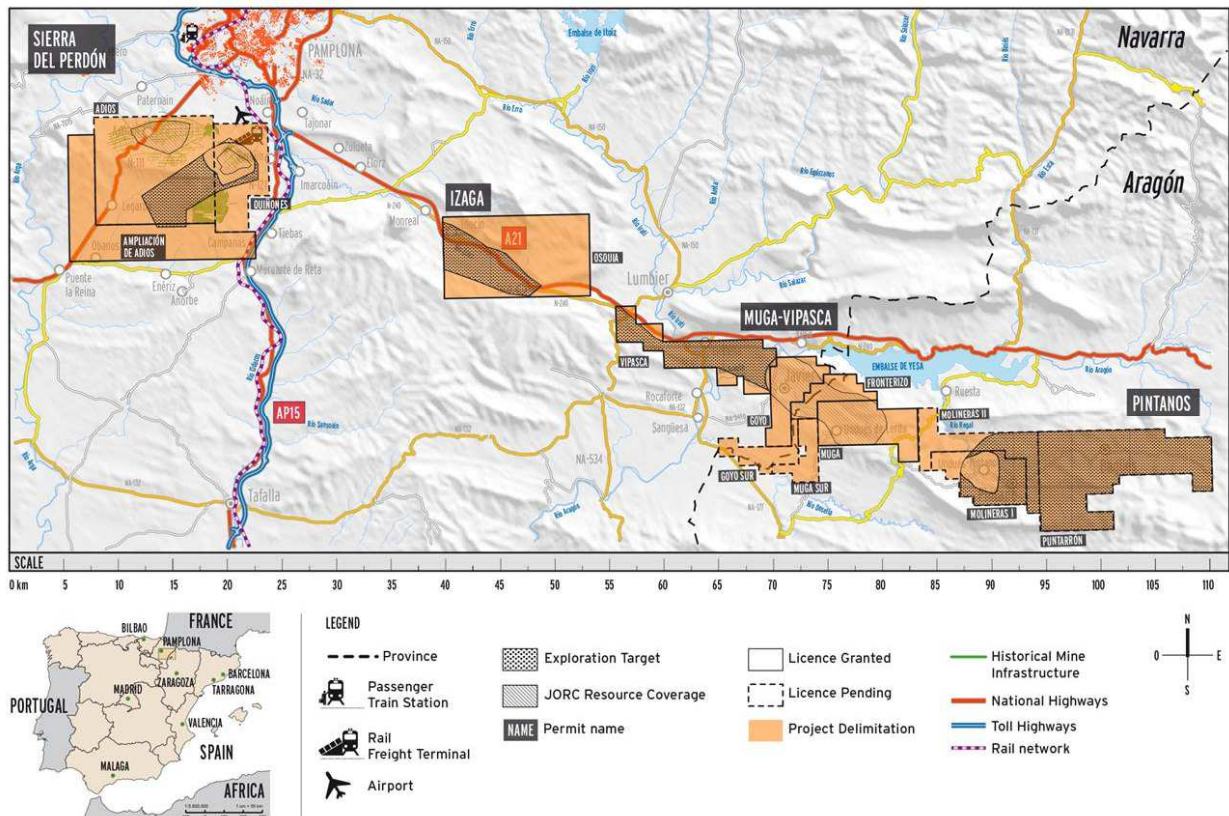


Figure 1: Location of Highfield's Muga-Vipasca, Pintanos, Izaga and Sierra del Perdón Tenement Areas in Northern Spain

COMPETENT PERSONS STATEMENT FOR MUGA POTASH PROJECT

This update was prepared by Mr Peter Albert, Managing Director of Highfield Resources. The information in this update that relates to Ore Reserves is based on information prepared by Dr Mike Armitage, the Chairman of SRK Consulting (UK) Limited. Dr Mike Armitage is the Competent Person who assumes overall professional responsibility for the Compliance Opinion. The information in this update that relates to Mineral Resources, Exploration Results and Exploration Targets is based on information prepared by Ms Anna Fardell, Senior Consultant at SRK Consulting (UK) Limited, and Mr Tim Lucks Principal Consultant at SRK Consulting (UK) Limited.

Dr. Mike Armitage is employed by SRK Consulting (UK) Limited. The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled under the direction of Dr. Mike Armitage, who is a Member the Institute of Materials, Metals and Mining ("IMMM") which is a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the Australian Securities Exchange ("ASX") from time to time.

Dr. Mike Armitage 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Dr. Mike Armitage consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Ms. Anna Fardell is a Resource Geologist employed by SRK Consulting (UK) Limited, and has at least five years' experience in estimating and reporting Mineral Resources relevant to the style of mineralisation and type of deposit described herein. Ms. Fardell is a registered member of the Australian Institute of Geoscientists (6555) and considered a Competent Person (CP) under the definitions and standards described in the JORC Code 2012.

Ms. Anna Fardell consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

COMPETENT PERSONS STATEMENT FOR MINERAL RESOURCES AND EXPLORATION TARGETS OTHER THAN MUGA MINERAL RESOURCES.

This update was prepared by Mr Peter Albert, Managing Director of Highfield Resources. The information in this update 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 he is 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.

Mr José Antonio Zuazo and Mr Manuel Jesús Gonzalez Roldan consent to the inclusion in this update of the matters based on their information in the form and context in which it appears.

Table 1: Summary of Highfield’s Mineral Interests as at 31 March 2019

Tenement area/Project	Region	Permit Name	Permit Type	Applied	Granted	Ref #	Area Km ²	Holder	Structure
Sierra del Perdón	Navarra	Quiñones	Investigation	19/07/2011	Application in process	35760	22.88	Geocalci SL	100%
Sierra del Perdón	Navarra	Adiós	Investigation	19/07/2011	Application in process	35770	59.40	Geocalci SL	100%
Sierra del Perdón	Navarra	Ampliación de Adiós	Investigation	26/10/2012	14/02/2014	35880	40.90	Geocalci SL	100%
							123.18		
Izaga	Navarra	Osquia	Investigation	28/04/2015	12/01/2017	35970	57.42	Geocalci SL	100%
							57.42		
Vipasca	Navarra	Vipasca	Investigation	06/11/2013	11/12/2014	35900	27.30	Geocalci SL	100%
							27.30		
Muga	Navarra	Goyo (area under concession process)	Investigation	19/07/2011	24/12/2012	35780	14.79	Geocalci SL	100%
Muga	Navarra	Goyo Sur	Investigation	25/07/2014	Application in process	35920	8.96	Geocalci SL	100%
Muga	Aragón	Fronterizo (area under concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	8.70	Geocalci SL	100%
Muga	Aragón	Fronterizo (area outside concession process)	Investigation	21/06/2012	05/02/2014	Z-3502/N-3585	1.10	Geocalci SL	100%
Muga	Aragón	Muga (area under concession process)	Investigation	29/05/2013	07/04/2014	3500	15.08	Geocalci SL	100%
Muga	Aragón	Muga (area outside concession process)	Investigation	29/05/2013	Application in process	3500	5.32	Geocalci SL	100%
Muga	Aragón	Muga Sur	Investigation	25/09/2014	Pending	3524	7.28	Geocalci SL	100%
							61.23		
Pintanos	Aragón	Molineras 10	Investigation	20/11/2012	06/03/2014	3495/10	18.20	Geocalci SL	100%
Pintanos	Aragón	Molineras 20	Investigation	19/02/2013	Application in process	3495/20	16.80	Geocalci SL	100%
Pintanos	Aragón	Puntarrón	Investigation	08/05/2014	Application in process	3510	30.24	Geocalci SL	100%
							65.24		
						Total	334.37		

Location: All permits are located in Spain.

Holder: All permits are held by Geocalci S.L., a 100% owned Spanish subsidiary of Highfield Resources Limited.

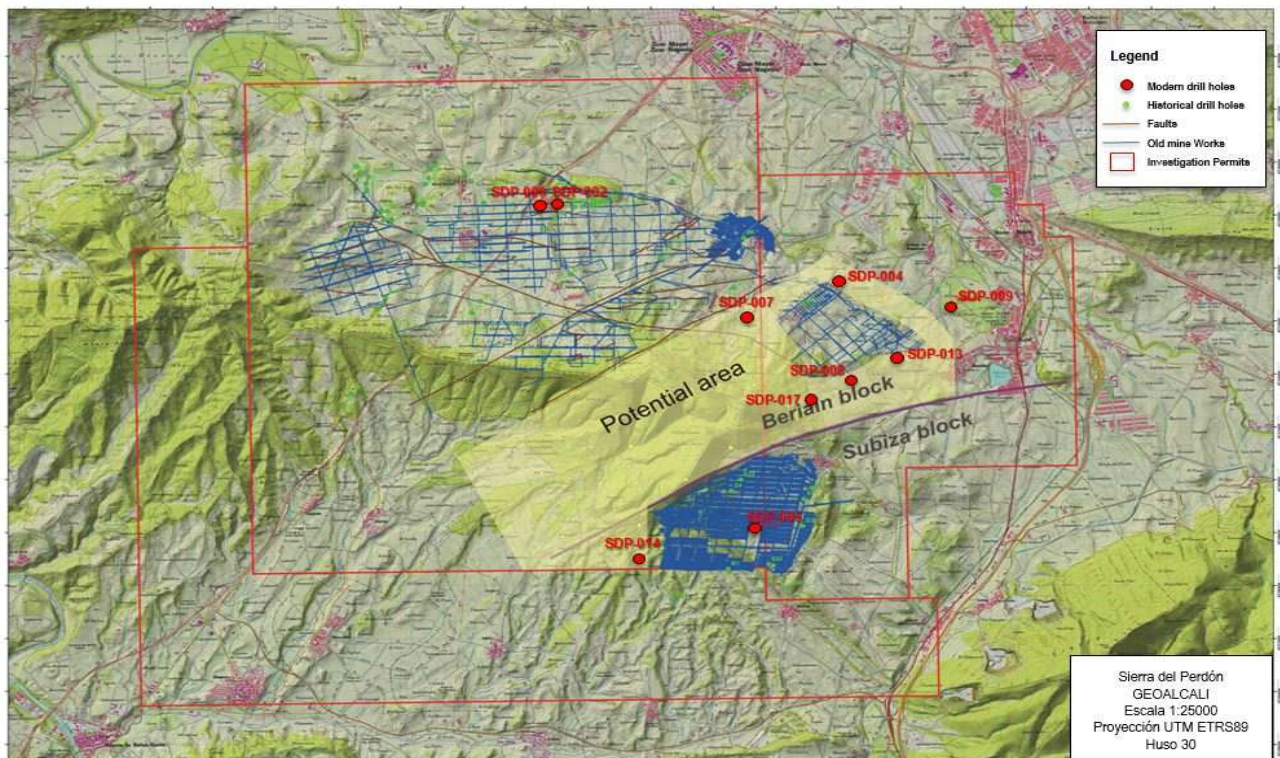


Figure 2: Location of Highfield’s Sierra del Perdón drill holes

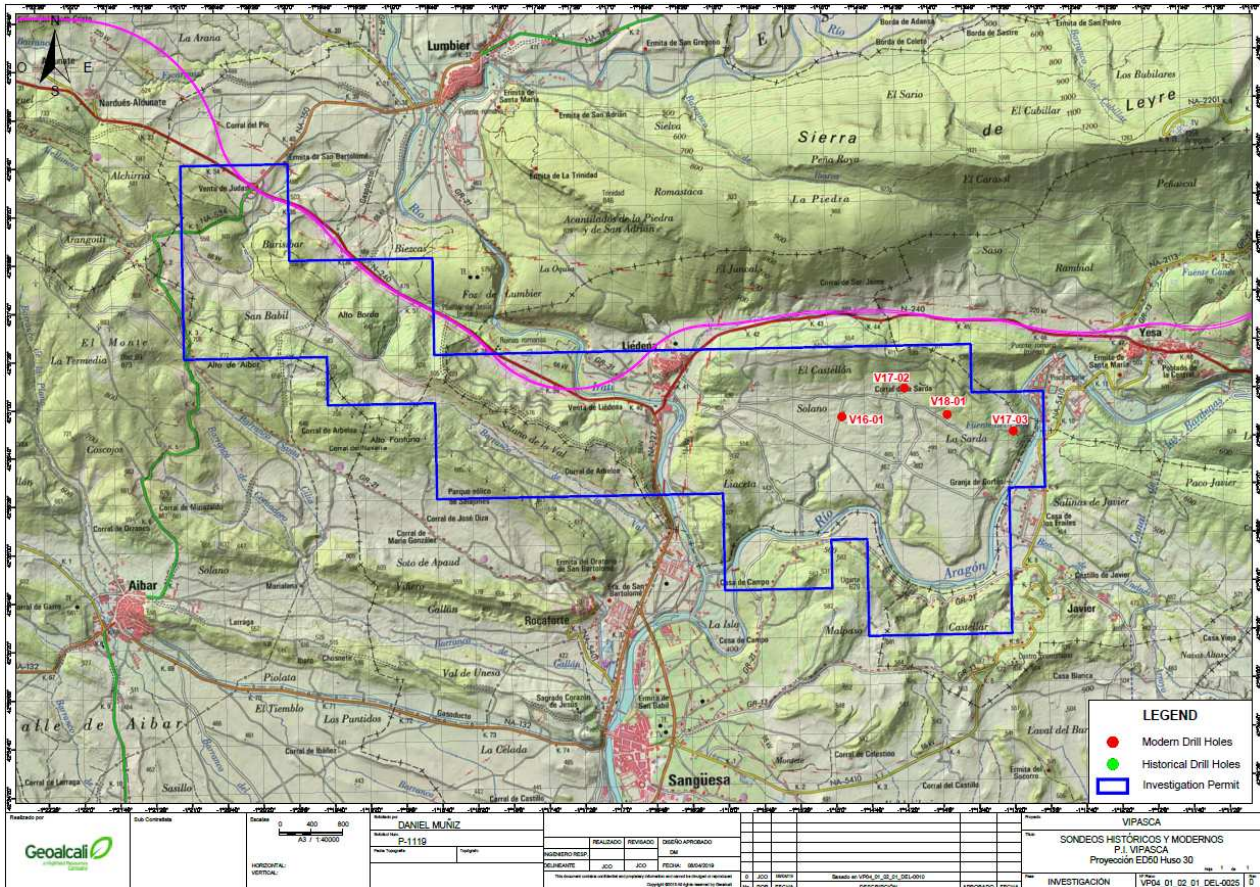


Figure 3: Location of Highfield's Vipasca drill holes

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

51 153 918 257

Quarter ended ("current quarter")

31 March 2019

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	(3,172)	(3,172)
(b) development	-	-
(c) production	-	-
(d) staff costs	(825)	(825)
(e) administration and corporate costs	(303)	(303)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(56)	(56)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other – GST/VAT refunded	589	589
1.9 Net cash from / (used in) operating activities	(3,767)	(3,767)

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

Mining exploration entity and oil and gas exploration entity quarterly report

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	-	-

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	55,158	55,158
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,767)	(3,767)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(1,203)	(1,203)
4.6	Cash and cash equivalents at end of period	50,188	50,188

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	50,188	55,158
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)	50,188	55,158

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	669
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' fees and salaries - \$669k

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

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	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	(9,930)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(560)
9.5 Administration and corporate costs	(163)
9.6 Other – GST/VAT refunded	297
9.7 Total estimated cash outflows	(10,356)

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	Borneau, Navarra, Spain	Exploration permit	80.33Km2	-
	Girardi, Navarra, Spain	Exploration permit	38.57Km2	-
	Palero, Navarra, Spain	Exploration permit	11.76Km2	-
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:

(CFO)

Date: 24 April 2019

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.