



## December 2024 Quarterly Activities Report

### HIGHLIGHTS

- Significant work undertaken to progress the strategic transaction with Yankuang Energy Group Co (Yankuang) and regulatory approvals are advancing
  - Yankuang Energy Group Co., Ltd 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 (refer ASX 14 January 2025, "Yankuang Energy receives FIRB Approval")
- Work being undertaken to update the Facilities Agreement to better align it with the construction and development time of Muga
- During the quarter Highfield Resources provided an update from the Government on the Goyo mining concession stating that the various administrations were working to rectify the situation as quickly as possible (refer ASX 27 October 2024, "Goyo Mining Concession Update")
- Shareholder approval obtained for the ratification of prior issue of equity securities and the issue of EMR New Shares to EMR Nominee, Meritz Securities Co., Ltd. at the Company's EGM on 30 December 2024
- A\$12.0 million cash at bank at 31 December 2024

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European potash developer, Highfield Resources Limited (ASX:HFR) (**Highfield**, or the **Company**) is pleased to provide the market with an update on activities developing the world class Muga Potash mine (**Muga**), located in northern Spain for the quarter ended 31 December 2024.

### PROJECT UPDATE

#### Strategic Financing Update

Highfield announced that Yankuang Energy Group Co., Ltd (**Yankuang Energy**) received a statement of no objection from Australia's Foreign Investment Review Board (**FIRB**) 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 (FIRB Approval).

Yankuang Energy's subscription forms an integral part of the 'Cornerstone Placement' and 'Southey Vend-In' (see ASX release dated 24 September 2024) through which Highfield seeks to:

- raise a total of US\$220 million in equity capital from Yankuang Energy and other strategic investors; and



- acquire the Southey potash project in Saskatchewan, Canada from Yankuang Energy by way of the direct or indirect acquisition of 100% of the shares in Yancoal Canada Resources (a subsidiary of Yankuang Energy) (**Yancoal Canada**) for consideration valued at US\$286 million (subject to certain completion adjustments),

(collectively, the **Transaction**), and the receipt of FIRB Approval satisfies a key condition precedent under the Transaction documentation (*refer ASX release dated 24 September 2024*).

### Senior Loan and Lease Facility

Highfield provided an update on the Senior Secured Project Finance Facility signed in December 2022 (the **Facilities Agreement** or the **Facility**) (*refer ASX 28 January 2025, "Update on Facilities Agreement and Project Financing"*).

In line with the Company's commitment to continue advancing the Muga Project, Highfield submitted a formal request to its lenders under the Facilities Agreement to amend some terms and seek waivers within the context of the binding agreement (the **Agreement**) entered into with Yankuang Energy Group Co., Ltd (*refer to ASX 24 September 2024, "Creation of a New Globally Diversified Potash Company"*) and commencing construction of the Muga Project.

These requests focused on:

- 1) Extension of Key Project Milestones that were agreed with the banks in the Facility signed in December 2022;
- 2) Repayment Schedule Updates;
- 3) Waiver of the change of control provisions related to the ongoing strategic investment transactions; and
- 4) Temporary waiver of the payment obligations of commitment fees subject to and until Completion of the Agreement, with accrued fees payable upon Completion.

It is expected that the syndicate composition will need to be amended and the Company is already working with its financial advisor, DBS Securities, towards amending the bank syndicate to better align it with the Agreement.

Highfield believes the relevant amendments and waivers will allow for a Facility and bank syndicate which better reflects the current stage of the Muga Project and the evolving needs of its financing and operational requirements. The Company is confident that the adjustments will result in an agreement that is a better fit for the business development and strategy of the Company and to effectively support the successful completion of the Muga Project.

At the same time, Highfield is also negotiating the equipment operating lease facility with Macquarie Specialised Asset Services Ltd. (**Macquarie**) (*refer ASX 12 May 2023, "Equipment Operating Lease Financing - Credit Approved"*). The total facility amounted to a total of €25million. It has been agreed with Macquarie that US\$4.7 million are going to be converted into a lease contract on 31 January 2025 for the acquisition of four shuttle cars from Komatsu. Additionally, the Company is currently negotiating the new terms and conditions of the facility for the remainder €20.6 million.



## Muga Mine Update

The Government of Navarra received an adverse court decision in relation to the Goyo mining concession. The negative court decision is based on formal elements of the internal administrative coordination process in the granting of the mining concession. Goyo is one of the three Muga mining concessions and production from its mineralization is only expected to happen after year 6 in the mine plan.

During the quarter the Company received confirmation from the Government of Navarra that it was analysing the ruling in order to resolve the situation and correct this procedural flaw and confirmed that it has not relinquished the Goyo mining concession. (refer ASX 27 October 2024, "Goyo Mining Concession Update")

## **POTASH MARKET**

Global potash prices continue to trade in the same price range as last quarter with Granular MOP prices in Europe remaining within the €330/t to €340/t range. The supply demand fundamentals are unchanged from last quarter.

## **EXPLORATION**

There were no significant exploration works during the quarter. The current priority for the Company remains the development and construction of the Muga Potash mine. The Company let the Molineras 1 exploration permit expire during the Quarter and is currently evaluating its options in the context of the contiguous permits in that area.

## **CORPORATE**

As at 31 December 2024, the Company's cash balance of A\$12.0 million was A\$1.6m lower than the previous quarter.

Combined operating and investing cash outflows to support the continued advancement of the Muga project were A\$2.9m and A\$2.0m respectively. The Company also paid two quarters' of commitment fees to the Project Finance banks totalling A\$4.9m. Cash inflows following the completion of the unconditional component of the institutional placement and the Share Purchase Plan totalled of A\$7.8m. Foreign exchange differences resulting from the conversion of Euros and US dollars into Australian dollars had a positive impact of A\$0.4m during the quarter.

The Company remains committed to prudently managing cash to ensure the recent cash inflows are sufficient to complete the Cornerstone Placement from Yankuang and the strategic investors and the acquisition of the Southey potash project.

## Extraordinary General Meeting

Both resolutions considered by the Company's shareholders at the Extraordinary General Meeting held virtually on 30 December 2024 were passed. (refer ASX 30 December 2024, "Results of Extraordinary General Meeting"). Shareholder approval was sought and obtained for the

- 1) Ratification of prior issue of equity securities; and
- 2) Issue of EMR New Shares to EMR Nominee, Meritz Securities Co., Ltd.

# ASX ANNOUNCEMENT

30 January 2025

**Highfield**  
Resources



ASX:HFR

## PAYMENTS TO RELATED PARTIES

As outlined in section 6 of the attached Appendix 5B, payments to related parties of the entity and their associates, totals A\$638k, relate to salaries and fees paid to executive and non-executive Directors during the quarter.

## Q1 2025 ACTIVITIES

- Finalise the strategic financing process
- Secure shareholder approval for the creation of a new globally diversified potash company with Yankuang Energy.
- Finalise construction readiness plan

**-ENDS-**

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

For more information, contact:

**Ignacio Salazar**  
**Chief Executive Officer**

+34 948 050 577

office@highfieldresources.com.au

**Olivier Vadillo**

**Investor Relations – Global**

+34 609 811 257

office@highfieldresources.com.au

**Elvis Jurcevic**

**Investor Relations – Australia**

+61 408 268 271

ej@highfieldresources.com.au

**Highfield Resources**

ACN 153 918 257

ASX: HFR

[www.highfieldresources.com.au](http://www.highfieldresources.com.au)



**About Highfield Resources**

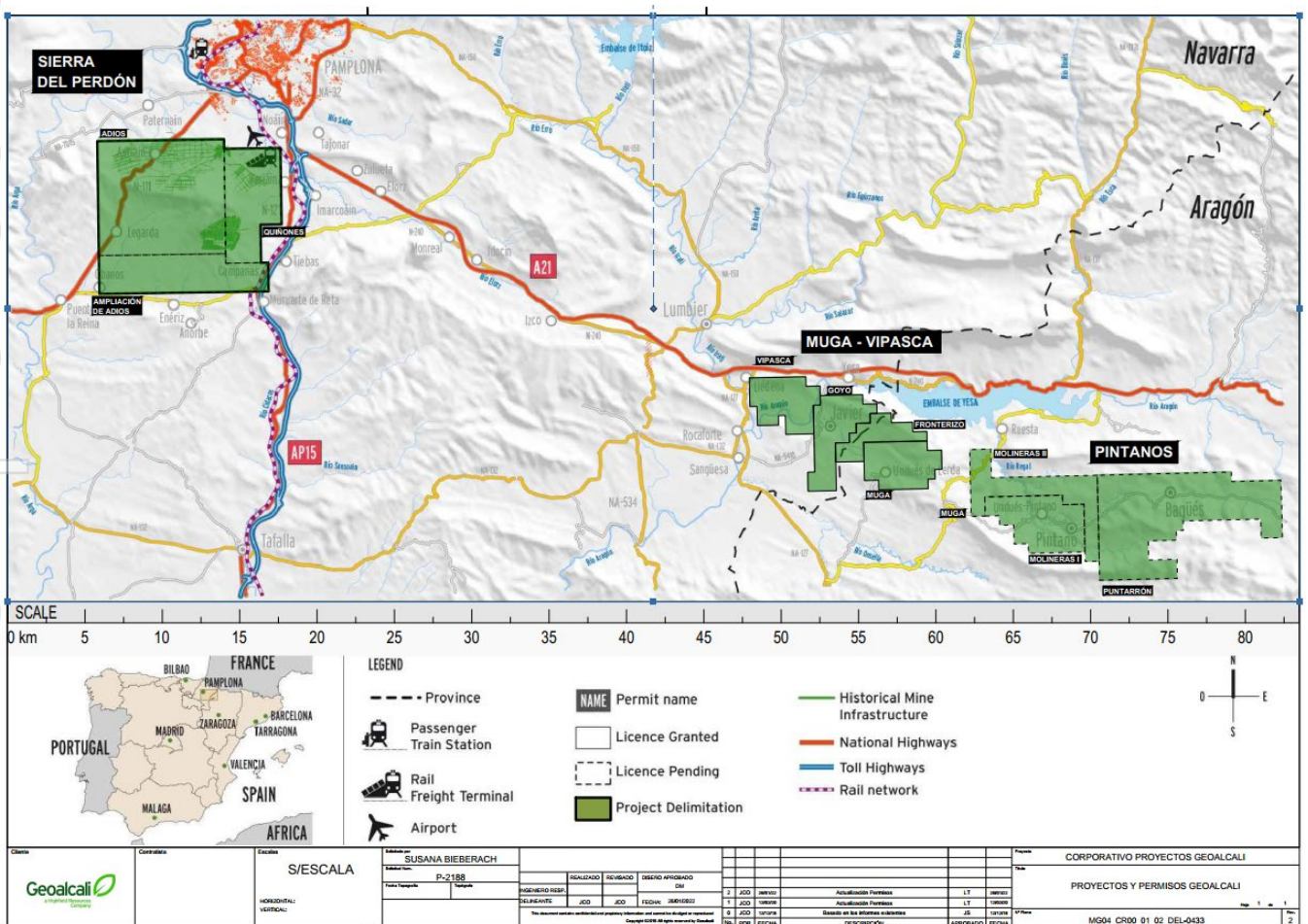
Highfield Resources is an ASX listed potash company which is planning on commencing full scale construction of its flagship high margin, low capex Muga Project in Spain having finalised the initial site preparatory work and having received all permits and key licences. Muga’s Mining Concession was granted in 2021, the ramp construction licence in Aragón in 2022 and the process plant construction licence in Navarra in 2023.

Muga is a unique project – with shallow mineralization and no aquifers above it there is no need to build a shaft. There is high quality and readily accessible infrastructure already in place in the region and importantly, the Muga Project is located in the heart of a European agricultural region which has a clear deficit in potash supply.

In mid-2024, the Company announced a transformative transaction to finance Muga and create a new globally diversified potash company with Yankuang Energy Group Co., Ltd and a number of strategic investors to raise US\$220 million of equity capital and acquire the Southey potash project in Saskatchewan, Canada. The transaction is subject to shareholder approval and country regulatory approvals.

Highfield’s potash tenements (Muga-Vipasca, Pintanos, and Sierra del Perdón) are located in the Ebro potash producing basin in Northern Spain, covering an area of around 250km<sup>2</sup>.

**FIGURE 1: LOCATION OF MUGA-VIPASCA, PINTANOS, AND SIERRA DEL PERDÓN TENEMENT AREAS IN NORTHERN SPAIN.**



## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

HIGHFIELD RESOURCES LIMITED

ABN

51 153 918 257

Quarter ended ("current quarter")

31 December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development		
(c) production		
(d) staff costs	(1,321)	(3,504)
(e) administration and corporate costs	(1,816)	(6,169)
1.3 Dividends received (see note 3)		
1.4 Interest received	(20)	89
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST/VAT refunded)	197	778
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,960)</b>	<b>(8,806)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		(109)
(d) exploration & evaluation (if capitalised)	(1,980)	(5,146)
(e) investments		
(f) other non-current assets		

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,980)</b>	<b>(5,255)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,060	17,015
3.2	Proceeds from issue of convertible debt securities		7,574
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(260)	(473)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(4,886)	(12,620)
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,914</b>	<b>11,496</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	13,561	14,084
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,960)	(8,806)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,980)	(5,255)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,914	11,496

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	425	441
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>11,960</b>	<b>11,960</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	11,960	13,561
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>11,960</b>	<b>13,561</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	638
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The above payments relate to salaries paid to executive directors and fees paid to non-executive Directors during the quarter.

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

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

7.5 **Unused financing facilities available at quarter end**

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

Other financing facilities refer to the convertible note formalised in two tranches in May 2023 and December 2023 (refer ASX 23 May 2023, "Key Strategic Investment of A\$25m Secured" and ASX 22 December 2023 "Highfield secures US\$6 million to advance Muga potash mine toward construction", respectively) and subscribed by EMR Capital Management Ltd., Tectonic Investment Management and another institutional investor as the lenders.

All the proceeds from the notes were received during the first quarter of 2024.

The debt will accrue interests (at a 14% per annum) that will be paid in kind via addition to the convertible notes amount and will mandatorily be converted into fully paid ordinary shares in the Company before the first drawdown of the €320.60 million senior loan facility secured with a group of international banks to fund the Muga Project.

The notes are secured by a share pledge over all the shares in and shareholder loans to, the Spanish subsidiary, Geoalcali, S.L.U. which owns and is developing the Muga Project.

**8. Estimated cash available for future operating activities****\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,960)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,980)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(4,940)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	11,960
8.5	Unused finance facilities available at quarter end (Item 7.5)	
8.6	Total available funding (Item 8.4 + Item 8.5)	11,960
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	2.42

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 January 2025

Authorised by: the Board of Highfield Resources Limited

(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.