JUNE 2014 – QUARTERLY ACTIVITIES’ REPORT

Highlights
- Compelling PFS results announced for Muga-Vipasca Project that included:
  - Post tax NPV₁₀ of US$1.06bn based on total capex of US$308m,
  - Post tax unlevered IRR of 48.4%,
  - EBITDA in first year of production estimated at US$235m,
  - Initial mine life of 20 years delivering an average annual production of 860kt/US$308m
- Renamed Muga Potash Project (formerly Javier) to become initial mine focus
- 14 drill hole campaign in Muga-Vipasca Project area completed with drilling success opening a large mineralisation extension into the south east
- Upgraded JORC Mineral Resource estimate in preparation for Muga-Vipasca Project. Resource estimate is likely to benefit from recent drilling success into the south eastern area of the Project
- An infill drill hole campaign of ten holes for DFS and final mine plan commenced
- Vipasca Potash Project to target high-grade, deeper mineralisation in Goyo and Vipasca permit areas
- Scoping Study for Sierra del Perdón Project underway
- Initial two holes of Pintano drilling campaign completed
- Significant $32m institutional equity placement completed, second tranche subject to shareholder approval
- EGM to approve second tranche of placement expected to be held on 16 September 2014

Spanish potash developer Highfield Resources (HFR:ASX) is pleased to report on its activities for the June 2014 Quarter.

Muga-Vipasca Potash Project

The Company’s 100% owned combined Muga-Vipasca Project covers an area of over 110 km². The Company is building on substantial historical information that included ten drill holes and seven seismic profiles for potash exploration purposes. The Company has completed an initial 14 hole drill program and is currently completing an additional ten drill hole program designed to enhance confidence in the Resource that will be subject of the Company’s first mine target.
Javier Divided into Two Projects

On 29 July 2014 the Company announced it had divided the Javier Potash Project into two operational potash projects titled Muga and Vipasca. The separation of Javier into two projects demonstrates the Company’s operational focus on its initial mine target, the relatively shallow sylvinite mineralisation in the south eastern section of the broader Muga-Vipasca Project area.

Figure 1 – Map showing extent of historical and current drilling programs in both the Muga-Vipasca and Pintano project areas with JORC M&I Resource for Muga-Vipasca Project.
Muga Potash Project

Muga is one of four permits which make up the Muga-Vipasca Project area. The name Muga is symbolic as it is a word from the regional dialect that refers to stones that were used to define borders between countries and provinces. Muga is an appropriate name as the operating Muga potash mine is likely to straddle the border of the Navarra and Aragón Provinces.

The Company has established a second Spanish office close to the Muga Project area in Sangüesa. The office will house the Muga mine delivery team, including internal appointments, contractors and the site based engineering team. It is an important step in the process to ensure the Company is ready to commence constructing the mine in 2015.

The Company had considerable drilling success over the Quarter with the positive results announced in J13-07 and J13-08. Assay results for all drill holes completed in Quarter are expected to be released in early August after the completion of the review by the Company’s competent persons.

An infill drilling campaign to improve Resource confidence has also commenced at Muga. Two drill rigs are drilling holes J14-03 and J14-06 (refer Figure 1) with a further two expected to be commence early August.

Vipasca Potash Project

The Vipasca Project area includes the entire Vipasca permit and the deeper areas within the Goyo permit area, including new extensions. The focus is on deeper higher-grade potash mineralisation that was evident in holes J13-06 and J13-09. Sylvinitic intersects in J13-06 and J13-09 included:

<table>
<thead>
<tr>
<th>Drill Hole</th>
<th>Depth</th>
<th>Thickness</th>
<th>K₂O %</th>
<th>KCl %</th>
</tr>
</thead>
<tbody>
<tr>
<td>J13-06</td>
<td>773.9m</td>
<td>775.7m</td>
<td>1.8m</td>
<td>17.47%</td>
</tr>
<tr>
<td></td>
<td>778.4m</td>
<td>779.6m</td>
<td>1.2m</td>
<td>19.02%</td>
</tr>
<tr>
<td>J13-09</td>
<td>922.1m</td>
<td>923.3m</td>
<td>1.2m</td>
<td>20.25%</td>
</tr>
<tr>
<td></td>
<td>926.9m</td>
<td>928.1m</td>
<td>1.2m</td>
<td>17.26%</td>
</tr>
<tr>
<td></td>
<td>986.0m</td>
<td>987.5m</td>
<td>1.5m</td>
<td>20.42%</td>
</tr>
</tbody>
</table>

Refer: ASX Release 1 May 2014

A drilling campaign in the Vipasca and southern Goyo permit areas is expected to start later this year. The project area is expected to provide significant future upside to the Company’s initial mine target at Muga.

Geophysical survey work designed to better define the evaporite in the southern section of the Goyo permit area was commenced in July 2014. Gravimetric and electromagnetic (TEM) surveys are being completed as part of this process. The information gathered will be used to identify exploration targets as part of the drill program scheduled for later this year.

Pre-Feasibility Study (PFS)

On 20 May 2014 the Company released the results of a PFS for the combined Muga-Vipasca project area. Highlights included:

- Post tax NPV₁₀ of US$1.06bn
- Post tax, unlevered IRR of 48.4% with EBITDA in first year of full production estimated at $US235m
- A high grade resource of 154Mt at 12.9% K₂O (21.5% K60 product) prepared by Agapito Associates derived from the 268m tonnes JORC Mineral Resource estimate
- Initial 20 year mine life commencing in 2016 with significant potential upside from recent drilling success
- An average production target of 860k tonnes of potash (K60 product) per annum
- 2016 FOB Vancouver potash price reference of $384 per tonne (nominal)
- Pre-production capital cost estimated at less than US$250m (from total capital cost estimate of US$307.9m) with 94.5% of physical capital cost estimates supported by Spanish contractor budget pricing

Agapito Associates estimated an initial high-grade resource of 154Mt at 12.9% K₂O (21.5% K60 product) derived from the JORC Mineral Resource estimate of 268Mt at 11.2% K₂O released on 16 May 2014. This mining target focuses on the two major sylvinite seams in the Project area and importantly is continuous across these seams. The seams remain relatively thick ranging in height from 1.77m to over 3m.

A higher grade resource option was considered of 106.9m tonnes at 13.9% K₂O (23.2% K60 product).

Upgraded JORC Mineral Resource Estimate

On 16 May 2014 the Company release an upgraded JORC Mineral Resource estimate of 268Mt at 11.2% K₂O. This included 157.3m tonnes of Measured and Indicated Mineral Resources at 11.3% K₂O. Agapito Associates is currently preparing an upgraded Mineral Resource estimate that will include areas into the south eastern section of the project area not previously covered by the Resource estimate, an outcome from the drilling success achieved in drill holes J13-07, J13-08 and J13-10. The Company expects to release this estimate later this Calendar Year.

Current Quarter Priorities

The Company is focussed on delivering a DFS for the project by the end of the Calendar Year and being construction-ready by the start of Q2 Calendar Year 2015. The current Quarter priorities are:

- Completion of ten drill hole infill program at Muga
- Commencement of detailed mine design with this drill program enabling the creation of the mining block model
- Development of the preferred logistics’ solution
- Completion of the utilities’ strategy that primarily considers the main PFS energy solution of grid electricity against other alternate options
- Continued work on exploring salt market options for the Company’s by-product of production

Sierra del Perdón Potash Project

Highfield’s 100% owned Sierra del Perdón Project covers an area of more than 100km² in Northern Spain. It is located within 40kms of the Muga-Vipasca Project and hosts two former operating mines that produced over 10m tonnes of K60 potash product between 1963 and 1996 (Annual Ministerio de Industria lodgements by Minas de Potasas de Navarra and Subiza). Both mines were underground conventional mines where mineralisation was accessed via a decline with a conveyor belt system hoisting mineralisation to the surface via the decline.

JORC Mineral Resource Estimate

Independent geology and mining consultant, Agapito Associates Inc, is preparing a JORC Measured and Indicated Mineral Resource estimate on Sierra del Perdón. This estimate has been deferred, due to the
priority placed on the Muga-Vipasca drilling campaign and ultimately upgrading the JORC Resource. The Company expects to be in a position to release the JORC estimate by the end of the current Calendar Year.

Scoping Study
The Company has commenced work on a Scoping Study that considers initial modern drill hole results and historical mining to assess three mining options:
1. Sylvinite mine in previously unmined areas;
2. Sylvinite and carnallite mine in previously unmined areas; or
3. Carnallite only mine in previously unmined areas.

Canadian process engineering consultants, Hatch is working on the carnallite options, whilst Spanish-based Advanced Mineral Processing has completed work on sylvinite processing for the Muga-Vipasca PFS that is also relevant to the Project given the similar mineralisation.

Historical Production
During the June Quarter the Company sourced production records for the two former operating mines dating back to 1963. According to production records lodged with the Ministerio de Industria by Minas de Potasas de Navarra and Subiza and the Auñamendi Eusko Entziklopedia a total of 54,393,158 tonnes of sylvinite and carnallite ore were extracted between 1963 and 1996. 10,239,497 tonnes of K60 potash was produced during the period. This represents a net recovered grade of 18.8% K60 potash product and suggests an undiluted grade of 22.1% K60 potash product or 13.3% K₂O (based on a recovery rate assumption of 85%).

Figure 2: Sierra del Perdón Project map showing historical mine workings and drill holes
Pintano Potash Project

Highfield’s 100% owned Pintano Project abuts the Muga-Vipasca Project and covers an area of 125km². Depths from surface to mineralisation commence at around 500m. The Company is building on substantial historical potash exploration information that includes seven drill holes and ten seismic profiles completed in the late 1980s.

Drilling Campaign

An initial drilling campaign of eight holes commenced during the Quarter designed to test and build on this historical information. Drill hole P13-01 was completed and P13-02 is currently being completed. The Company expects to be in a position to compile and release initial assay results during the September Quarter.

Drill hole P13-06 is expected to commence in early August 2014 (refer Figure 3 below)

Puntarrón Investigation Permit Application

During the Quarter the Company applied for the Puntarrón Investigation Permit. This is a critical step in the exploration activities of the Pintano Project area as it will enable the Company to commence drilling activities in previously unexplored areas.

Figure 3: Pintano Project area showing potash exploration drill holes and seismic lines
Permits
Highfield has lodged applications to extend the Company’s Goyo and Muga permits to the south. The Company’s geological team believes potash mineralisation may extend into these areas.

The southern extension of the Goyo permit is 9.6 km\(^2\), whilst the southern extension of the Muga permit is 7.8 km\(^2\).

Strategy
The Company continues to focus on progressing preliminary work on constructing mines at both its Muga and Sierra del Perdón Projects.

The PFS for the combined Muga-Vipasca Project was a critical milestone for the Company which demonstrated the robustness of the Company’s potash projects and clearly demonstrates the unique proposition of the projects in a global context.

The Company is now focussed on delivering a DFS for the combined Muga-Vipasca Project and a Scoping Study for the Sierra del Perdón Project.

Corporate

Institutional Equity Placement
On 13 June 2014 the Company announced it had successfully completed an institutional equity placement (Placement) of 65m new fully paid ordinary shares to raise $31.95m.

The Company’s cornerstone investor, EMR Capital, led the placement with a commitment for 25m shares at $0.51/share ($12.75m). An additional 40m shares are being placed to Australian and offshore institutional investors in two tranches at $0.48/share ($19.2m).

The Placement is being completed in two tranches with 20,325,000 shares placed under the Company’s capacity in accordance with ASX Listing Rules 7.1, and 44,675,000 shares (inclusive of EMR Capital’s 25m) subject to shareholder approval at an Extraordinary General Meeting (EGM) proposed to be held on 16 September 2014.

Tranche one of the Placement was completed on 25 June 2014.

Extraordinary General Meeting (EGM)
The proposed Notice of Meeting (NOM) and Independent Experts Report (IER) were lodged with ASIC on Tuesday 29 July 2014. ASIC has 14 days in which to review and provide comment on the contents of the NOM and IER. This period will conclude on 12 August 2014. Should the review be satisfactory, as expected, the Company proposes to hold the EGM to consider approving tranche two of the placement on Tuesday 16 September 2014. Further updates will be provided.

Over the current Quarter the Company expects to bolster its project delivery team with the key appointments of Delivery Director and Sales and Marketing Manager.

The Company’s focus remains strongly on completing actions to progress the development of its 100% owned Spanish potash projects.

For more information:
Mr Anthony Hall
Managing Director
Ph: +34 617 872 100

Mr Simon Hinsley
Investor Relations
Ph: +61 401 809 653
Table 1: Summary of Highfield’s Mineral Interests as at 31 July 2014

<table>
<thead>
<tr>
<th>Project</th>
<th>Region</th>
<th>Permit Name</th>
<th>Permit Type</th>
<th>Applied</th>
<th>Granted</th>
<th>Ref #</th>
<th>Area (km²)</th>
<th>Holder</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sierra del Perdón</td>
<td>Navarra</td>
<td>Quiñones</td>
<td>Investigation</td>
<td>19/07/2011</td>
<td>07/08/2012</td>
<td>35760</td>
<td>32.48</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Sierra del Perdón</td>
<td>Navarra</td>
<td>Adiós</td>
<td>Investigation</td>
<td>19/07/2011</td>
<td>07/08/2012</td>
<td>35770</td>
<td>75.60</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Sierra del Perdón</td>
<td>Navarra</td>
<td>Ampliación Adiós</td>
<td>Investigation</td>
<td>26/10/2012</td>
<td>14/02/2014</td>
<td>35880</td>
<td>40.90</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Muga-Vipasca</td>
<td>Navarra</td>
<td>Goyo</td>
<td>Investigation</td>
<td>19/07/2011</td>
<td>24/12/2012</td>
<td>35780</td>
<td>27.72</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Muga-Vipasca</td>
<td>Navarra</td>
<td>Vipasca</td>
<td>Investigation</td>
<td>06/11/2013</td>
<td>Pending</td>
<td>35900</td>
<td>38.92</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Muga-Vipasca</td>
<td>Navarra</td>
<td>Goyo Sur</td>
<td>Investigation</td>
<td>25/07/2014</td>
<td>Pending</td>
<td>Pending</td>
<td>8.96</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Muga-Vipasca</td>
<td>Aragón</td>
<td>Fronterizo</td>
<td>Investigation</td>
<td>21/06/2012</td>
<td>05/02/2014</td>
<td>3502</td>
<td>9.80</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Muga-Vipasca</td>
<td>Aragón</td>
<td>Muga</td>
<td>Investigation</td>
<td>28/05/2013</td>
<td>09/04/2014</td>
<td>3500</td>
<td>20.40</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Muga-Vipasca</td>
<td>Aragón</td>
<td>Muga Sur</td>
<td>Investigation</td>
<td>25/07/2014</td>
<td>Pending</td>
<td>Pending</td>
<td>7.28</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Pintano</td>
<td>Aragón</td>
<td>Molineras 10</td>
<td>Investigation</td>
<td>20/11/2012</td>
<td>06/03/2014</td>
<td>3495/10</td>
<td>18.20</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Pintano</td>
<td>Aragón</td>
<td>Molineras 20</td>
<td>Investigation</td>
<td>19/02/2013</td>
<td>Pending</td>
<td>3495/20</td>
<td>16.80</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Pintano</td>
<td>Aragón</td>
<td>Puntarrón</td>
<td>Exploration</td>
<td>13/12/2012</td>
<td>27/05/2013</td>
<td>3509</td>
<td>90.70</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td>Pintano</td>
<td>Aragón</td>
<td>Puntarrón</td>
<td>Investigation</td>
<td>07/05/2014</td>
<td>Pending</td>
<td>3509</td>
<td>30.24</td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Geoalcali SL</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Total** 387.76 (excludes double counting)

Location: All permits are located in Spain.

Holder: Geoalcali SL is a 100% owned Spanish subsidiary of Highfield Resources Limited.

Changes: The Company was granted the following permit that was previously in application:

a. Muga Investigation Permit on 9 April 2014

The Company applied for the following permits:

a. Puntarrón Investigation Permit on 7 May 2014
b. Goyo Sur Investigation Permit on 25 July 2014
c. Muga Sur Investigation Permit on 25 July 2014
d. An extension by one year to the balance of the Puntarrón Exploration Permit not covered by the Puntarrón Investigation Permit on 7 May 2014

During the Quarter the Molineras Exploration Permit was also cancelled.

For personal use only
ABOUT HIGHFIELD RESOURCES
Highfield Resources is an ASX-Listed potash company with four 100%-owned projects located in Spain.

Highfield’s Muga, Vipasca, Pintano and Sierra del Perdón potash projects are located in the Ebro potash producing basin in Northern Spain covering a project area of close to 400km². The Sierra del Perdón project includes two former operating mines. The Company has completed a PFS for its Muga Project and is currently working towards completing a DFS by the end of the 2014 Calendar Year.

Figure 4: Location of Highfield’s Muga-Vipasca, Pintano and Sierra del Perdón Projects in Northern Spain