

# Highfield Resources Ltd

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## Highfield Resources advances Muga Potash Project in Spain towards construction

Highfield Resources Ltd (ASX:HRF) remains focused on securing mining concession and construction permits to advance the Muga Potash Project in Spain towards the construction phase.

The project is intended to be developed in two phases with the first set to produce around 500,000 tonnes per annum of Muriate of Potash (MOP) and the second to produce a further 500,000 tonnes of MOP for total annual production of 1 million tonnes.

### Design improvements

After receiving the Declaración de Impacto Ambiental (DIA) from the Ministry for Ecological Transition (Ministerio para la Transición Ecológica, MITECO) in June, the key environmental permit required to move the Muga project forward, the company has been undertaking improvements to the mine and process plant designs.

These improvements are a result of detailed test work and basic design by German engineering specialists GEA Messo GmbH and K-UTEC.

As well as delivering better technical and commercial outcomes, the enhancements deliver several value-adding and improved environmental results and achieve improved compliance with the DIA environmental permit.

The company is targeting the relatively shallow sylvinitic beds in the Muga project area that cover about 60 square kilometres in the provinces of Navarra and Aragon.

### Low-cost conventional mine

Mining is planned to commence at a depth of around 350 metres from surface and is, therefore, ideal for a relatively low-cost conventional mine.

A proven and probable ore reserve has been derived from the measured and indicated mineral resource of 235 million tonnes and comprises 108.7 million tonnes at 10.2% potassium oxide.

Ongoing exploration, including drilling, has the potential to increase and upgrade resources.

Barcelona-based Grupo IDP has begun design engineering for the process plant and will work closely with GEA Messo and K-UTEC to develop the engineering for a timely construction start, which is expected in the next eight to 14 months.

**Price:** 0.55

**Market Cap:** \$181.24 m

#### 1 Year Share Price Graph



September 2019 March 2020 September 2020

#### Share Information

**Code:** HFR

**Listing:** ASX

<b>52 week</b>	<b>High</b>	<b>Low</b>
	0.82	0.24

**Sector:** Agribusiness

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

#### Company Synopsis:

*Highfield Resources Ltd (ASX:HFR) is a potash development company with five projects located in Spain. &nbsp;.*

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## Forecast financial metrics

While the enhancements have resulted in a modest increase in the estimated capex from €541 million as reported in October 2018 to €576 million, they also result in improved project economics.

	15 October 2018	14 October 2019
CAPEX phase 1	€342 million	€368 million
CAPEX phase 2	€199 million	€208 million
C1 cost FOB	€104/t	€82/t
NPV <sub>s</sub>	€1.16 billion	€1.97 billion
IRR	23%	25%

One area of improvement has been bringing forward the backfilling operation to enhance residue management, which has resulted in moving the costs for implementing backfilling equipment from sustaining capital to up-front capital.

In addition to improved environmental outcomes and recovery, the company also expects enhancements by bringing forward production of commercial vacuum salt, as well as residue management and treatment of by-products.

## Offtake MoU

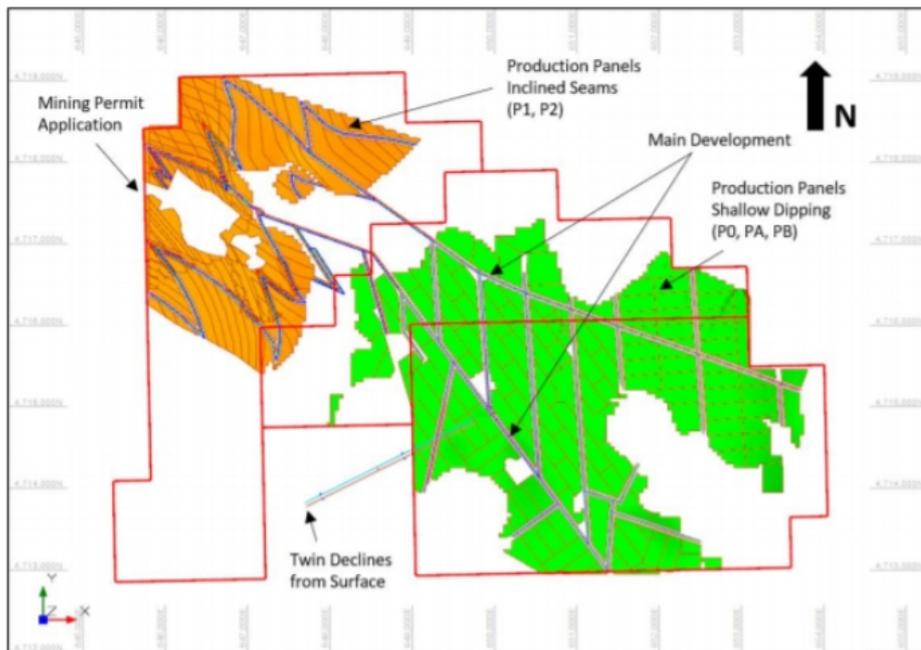
During the September quarter, the company signed a non-binding offtake MoU with Switzerland-based Ameropa AG for the sale of 250,000 tonnes per annum of MOP.

Highfield believes the potential partnership with Ameropa will provide an improved understanding of the MOP market and logistical expertise that will be invaluable in the first years of production.

The company is reviewing its sales and marketing strategy to include:

- Introduction of Highfield and Muga to new potential markets and initiate MoU discussions for phase I and II;
- Sales planning to ensure the best net return back to Muga mine site;
- Identifying local and international logistics options;
- Reviewing potential strategic equity partners from the fertiliser industry; and
- Ensuring MoUs and sales contracts are in place to support debt finance.

Highfield is engaged in ongoing discussions with several wholesale customers, distributors and global traders for the full 1 million tonnes per annum production capacity of the Muga mine.



Plan view of revised Muga mining panels including access development and boundary constraints.

During the September quarter, the company engaged with four international potash experts and specialist consultants who provided further and valuable input to the project design and execution in the areas of mining, processing, geology and sales.

The revised mine plan, on which the ore reserve estimate is based, incorporates the anticipated requirements of the environmental approval process, particularly related to subsidence controls and exclusion zones around towns, infrastructure and objects of significant cultural importance.

SRK reviewed the geotechnical characterisation work carried out by the company and third-party consultants and completed FLAC3D numerical modelling to establish the optimum spacing and stable pillar dimensions for cross-cuts through the panel pillars to improve extraction ratios while maintaining a suitable factor of safety for pillars over the range of depths.

## Next steps

The next stages of permitting are the receipt of mining concessions from the mining authorities in Madrid, Navarra and Aragon and Highfield is working collaboratively with these entities to accelerate the approvals.

Upon receiving the mining concessions, the company plans to secure construction permits from various authorities including the water authority, road and power authorities as well as the town halls of Sangüesa and Undues, being the two towns closest to the mine site, one in the province of Navarra and one in the province of Aragon.

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