

Transformative Transaction Proposed to Finance Muga and Create a New Globally Diversified Potash Company

Highfield Resources Limited (ASX: HFR) (Highfield or the Company) is pleased to announce that it has entered into a non-binding Letter of Intent for Cooperation with Yankuang Energy Group Co., Ltd (Yankuang Energy) and a number of strategic investors, in relation to a proposed strategic cooperation that would transform Highfield into a globally diversified potash company and deliver the remaining funding for Phase 1 of the Muga potash project (the Proposed Cooperation or the Proposed Transaction).

The Proposed Cooperation would entail the raising of US\$220 million of equity capital by Highfield from strategic investors (Cornerstone Placement) and the inter-conditional acquisition from Yankuang Energy of the Southey potash project in Saskatchewan, Canada (Southey Vend-in) by way of a direct or indirect acquisition of 100% of the shares in Yancoal Canada (a subsidiary of Yankuang Energy), as further outlined below.

Strategic Rationale and Key Highlights of Proposed Transaction

- Muga, which is construction-ready, is expected to be fully funded from completion of the Proposed Transaction.
- Establishing a leading pure play potash company with a diversified portfolio of projects in tier-1 jurisdictions underpinned by strong ESG credentials.
- Expected combined production capacity of 3.8Mtpa (assuming completion of the Proposed Transaction) and an experienced leadership team with a proven track record that is ready to construct Muga initially and to develop and construct Southey after that.
- Opportunity to unlock significant value with the support from a strong shareholder base and the establishment of a partnership with Yankuang Energy, a leading diversified Chinese energy company, with deep global connections and financial resources who is committed to support Highfield's growth and development. Additional synergies and value creation opportunities expected from partnering with the strategic investors.

Overview of Southey

Southey is a greenfield potash mine project located approximately 60 km north of Regina, Saskatchewan, Canada, a leading global potash mining jurisdiction. Southey is wholly owned by Yancoal Canada Resources Co., Ltd (Yancoal Canada), a subsidiary of Yankuang Energy. The Southey project has a high confidence reserve estimate with significant resource potential and covers an area of approximately 390 square kilometers.

Southey is a solution mining potash project with environmental approval in place and a feasibility study completed. The Project has a mine life of more than 65 years and a planned annual production capacity of 2.8 Mtpa of MOP.

The combination of Southey and Muga is expected to transform Highfield into a globally diverse potash company with total production capacity potential of 3.8Mtpa of MOP, which could see the Company become a top 10 potash producer globally.



Overview of Proposed Cooperation

Cornerstone Placement:

- Highfield proposes to issue to Yankuang Energy and a number of strategic investors new Highfield ordinary shares.
- The Cornerstone Placement is expected to raise an aggregate of US\$220 million, with proceeds to be used for funding of the Muga Phase 1 project.
- Yankuang Energy intends to provide up to US\$90 million to support the Cornerstone Placement with the other strategic investors providing at least US\$130 million. In the event the other strategic investors subscribe for more than US\$130 million before signing of final agreement or completion of the Cornerstone Placement, the amount subscribed by Yankuang Energy will reduce accordingly.

Southey Vend-in:

- Highfield proposes to acquire the Southey potash project in Canada held by Yancoal Canada by way of a direct or indirect acquisition of 100% of the shares in Yancoal Canada, with the issue of new ordinary shares of Highfield as consideration.

The Southey Vend-in and the Cornerstone Placement are inter-conditional.

The above final transaction price will be subject to, among other things, the due diligence conducted by parties, the appraisal result stated in the relevant appraisal report finally issued by a qualified PRC appraisal firm (which is reviewed by and recorded with SASAC or its authorized agency) and negotiation between the parties.

Upon completion of the Proposed Cooperation, Yankuang Energy will become the largest shareholder, be able to nominate the majority of the Board of directors, obtain control of Highfield and will consolidate the accounts of Highfield.

Subject to the parties entering into the Final Agreements, Highfield's Board intends to unanimously recommend the resolutions which will be required to approve the Proposed Transaction, subject to an independent expert concluding that the Proposed Transaction is in the best interests of Highfield's shareholders and in the absence of a superior proposal. Under the same circumstances, EMR Capital has also indicated their intention to vote in favour of the Proposed Transaction.

Full conversion of the convertible notes issued by Highfield is one of the conditions precedent for completion of the Proposed Cooperation. The holders of the convertible notes (including funds managed by EMR Capital Management Limited (EMR Capital)) have indicated their willingness to convert them before or upon the completion of the Proposed Cooperation.

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Disclaimer

The negotiations between Highfield and Yankuang Energy are ongoing. The Proposed Transaction is still in the planning stage, no legally binding agreement has been signed, and there are significant uncertainties. The transaction proposal is subject to further negotiation and agreement between the parties to the transaction based on the results of the audit and appraisal, and is also subject to the fulfilment of relevant decision-making and approval procedures by the competent authorities. There is a risk that the Proposed Transaction may not be reached or implemented for reasons such as changes in the market, regulatory review, or failure of the parties to the transaction to reach a consensus. Highfield will update the market in accordance with its continuous disclosure obligations.

-ENDS-

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

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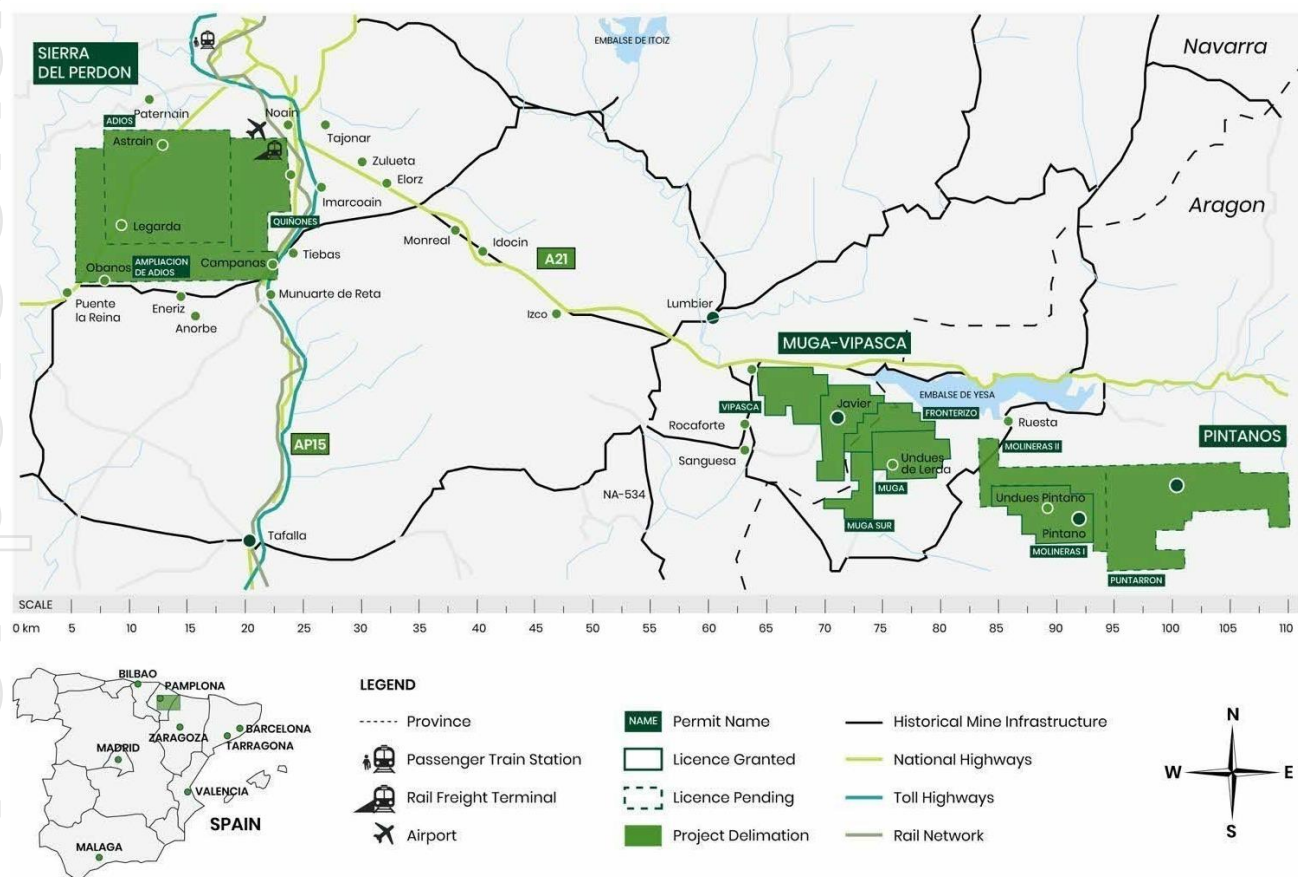
About Highfield Resources

Highfield Resources is an ASX listed potash company which is planning on commencing full scale construction of its flagship low cost, 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 addition to Muga's secure southern European location, since February 2022 events in Russia and Belarus have heightened the awareness of the strategic value of the Muga Project for both Spain and the European Union.

Highfield's potash tenements (Muga-Vipasca, Pintos, and Sierra del Perdón) are located in the Ebro potash producing basin in Northern Spain, covering an area of around 250km².

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





About Yankuang Energy and Yancoal Canada

Yankuang Energy is a joint stock company with limited liability incorporated under the laws of the PRC, with its H Shares and A Shares listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively. Yankuang is principally engaged in mining, high-end chemicals and new materials, new energy, high-end equipment manufacturing and intelligent logistics. Yankuang Energy is a majority shareholder in ASX listed Yancoal Australia Ltd.

Yancoal Canada is a wholly-owned subsidiary of Yankuang Energy established in 2011 and located in Saskatchewan, Canada. Yancoal Canada is principally engaged in the exploration and development of potash and holds a 100% interest in the Southey project, a greenfield potash mine project and four other potash mining right, of which the Southey project has a potassium chloride resource of approximately 1.696 billion tonnes.