

Following the Transaction with Yankuang Energy, Highfield Signs Letter of Intent with a subsidiary of China Minmetals for US\$300 Million Equity Subscription

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 (**LOI**) with Qinghai Salt Lake Industry Co., Ltd. (**Qinghai Salt Lake**), an entity listed on the Shenzhen Stock Exchange and a subsidiary of China Minmetals Corporation (**China Minmetals**), for a proposed US\$300 million equity subscription to be used to advance the Company's flagship Muga potash project in Spain and other strategic opportunities. This follows the transformative transaction announced on 24 September 2024 with Yankuang Energy Group Co., Ltd (**Yankuang Energy**) and other strategic investors (**Original Transaction**). Yankuang Energy and the EMR Shareholders (defined below) are also parties to the LOI.

Qinghai Salt Lake is China's largest potash producer with an annual production capacity of 5 million tonnes of potash fertiliser and 40,000 tonnes of lithium carbonate. China Minmetals is one of China's largest state-owned enterprises, specialising in metals, minerals, and resource development. Both companies are renowned for their operational expertise, advanced technology, and strategic investments in global resource projects.

Key Highlights of the non-binding LOI

- Raising of approximately US\$300 million in equity capital by Highfield from Qinghai Salt Lake via the issuance of new ordinary shares in Highfield (**QSL Cornerstone Placement**) which is conditional on completion of Highfield's 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) (**Proposed Transaction**).
- Qinghai Salt Lake has expressed its intent (which is also supported by other parties to the LOI) to become Highfield's largest shareholder with controlling power over Highfield upon completion of the Proposed Transaction, and to provide operational influence to support Highfield's growth as a globally diversified potash producer.
- The Company and Qinghai Salt Lake have agreed that, from the date of the LOI until June 30, 2025, Qinghai Salt Lake shall have the exclusive right to conduct due diligence and negotiate regarding QSL Cornerstone Placement. If the relevant conditions (including entry into the Term Sheet as contemplated below) under the LOI are met, this period may be extended by 75 days or until the signing of the formal agreement, whichever occurs earlier.
- Terms with Qinghai Salt Lake will be finalised in a binding term sheet (**Term Sheet**) which the parties are targeting signing by 30 June 2025 if preliminary work such as due diligence progresses smoothly. The QSL Cornerstone Placement is expected to be subject to final binding transaction documents with customary conditions, including but not limited to regulatory approvals (unless already satisfied at time of signing the Term Sheet) and Highfield shareholder approval (including for the purposes of the ASX Listing Rules and the Corporations Act 2001 (Cth)).
- Yankuang Energy and the Highfield shareholders associated with EMR Capital (together, the **EMR Shareholders**) have expressed their support for the Proposed Transaction. In the event of any conflicts or potential conflicts between the provisions and commitments of the Original Transaction and the



Proposed Transaction, HFR, Yankuang, and EMR Capital intend to negotiate and enter into any required agreement to resolve all obstacles that may impede or delay the progress of the Proposed Transaction.

Advantages of the QSL Cornerstone Placement

The QSL Cornerstone Placement is expected to enable Highfield to further expedite construction and development of the Muga potash project (Phase 1,500,000 t/y capacity) and accelerate other growth opportunities, including Muga Phase 2 and the Southey potash project.

Highfield will keep the market informed of material developments in accordance with its continuous disclosure obligations.

Disclaimer

The negotiations between Highfield, Yankuang Energy, Qinghai Salt Lake and the EMR Shareholders 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 due diligence and 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 China Minmetals Corporation

China Minmetals is one of China's largest state-owned enterprises, specialising in metals, minerals, and resource development. With a global presence across mining, metallurgy, and trading, it is a leading player in the production and supply of critical commodities, including potash, copper, zinc, lead, etc.

About Qinghai Salt Lake

Qinghai Salt Lake Industry Co., Ltd. (Qinghai Salt Lake), a joint-stock company incorporated in accordance with the laws of the PRC, with its registered address in Golmud City, Qinghai Province, China. Its shares are listed on the Shenzhen Stock Exchange, and the securities code is 000792. Qinghai Salt Lake is subordinate to China Salt Lake Industry Group Co., Ltd., which is controlled by China Minmetals. Currently, Qinghai Salt Lake



has an annual production capacity of 5 million tonnes of potash fertilizer and 40,000 tonnes of lithium carbonate, and it is currently the largest potash fertilizer industrial production base in China.

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