DECEMBER 2014 – QUARTERLY ACTIVITIES REPORT

Highlights
- Mining concession application lodged for flagship Muga Potash Mine
- MOUs signed with Port Authorities of two Atlantic ports (Bilbao and Pasajes)
- Muga Potash Project drilling completed, yielding excellent final results. Highlights of which include:
  - 1.2m at 16.6% K₂O from 245m in hole J13-08;
  - 1.8m at 16.1% K₂O from 240m in hole J13-10;
  - 9.6m at 14.0% K₂O from 253m in hole J13-15;
  - 2.1m at 16.1% K₂O from 187m in hole J14-02;
  - 5.1m at 16.3% K₂O from 359m including 1.2m at 22.5% K₂O in hole J14-06; and
  - 5.1m at 16.4% K₂O from 333m, including 1.5m at 29.9% K₂O in hole J14-07
- Definitive Feasibility Study on track for completion in March 2015
- Vipasca Investigation Permit granted

Planned for March Quarter:
- Updated Muga JORC compliant Mineral Resource Estimate
- Muga Definitive Feasibility Study released
- Sierra del Perdón JORC compliant Mineral Resource Estimate
- Recruitment of balance of senior construction and operational executives

Corporate
- Directly employed project team expanded to 30 in addition to new hires in key corporate functions
- Cash at bank as at 31 December: $25m.

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

The Company continues to focus on advancing its 100% owned, world-class Muga Potash Project (“Muga” or “the Project”), which is located in northern Spain, within close proximity to the city of Pamplona and the Atlantic coast of Spain and France.
Muga Potash Project

The Company’s Muga Potash Project is targeting the relatively shallow PAB potash (sylvinite) beds in the combined Muga-Vipasca Project which covers an area of more than 110km². Mineralisation in the PAB potash beds commences at depths to surface of less than 200m and appears ideal for a relatively low-cost conventional room and pillar underground mine accessed via a decline. Highfield has recently completed an infill drill program designed to further enhance confidence in the Resource that will be the subject of the Company’s first mine target. A total of 32 drill holes have been completed into the Project area, and an upgraded JORC resource and block model are expected to be released in the current Quarter.

Mining Concession Application Lodged

During the Quarter, the Company lodged its mining concession application for its Muga Potash mine. The mining concession application was lodged with the relevant jurisdictions as announced on 11 December 2014. The application is for the simultaneous construction of two declines / ramps to an underground conventional sylvinite mine accessed at depths from surface of less than 300m. The mine will commence with two underground operational fronts, together delivering the equivalent of 400 tonnes per hour of ore to the processing plant. Approximately nineteen months later, the size of the operation will be increased to an equivalent of 800 tonnes per hour of ore. In full operation, the mine will be able to produce over 1m tonnes of K60 product per annum.

The initial mine life is estimated at 19 years, with likely upside represented by recent drilling success and substantial unexplored permit areas.

The mining concession application required extensive documentation and included an Environmental Impact Assessment (EIA) and Mineral Extraction Plan. The environmental approval process was initiated in May 2014 when the Company lodged its Memoria Resumen (EIA statement of intent) with the provinces of Aragón and Navarra and Spain’s Central Government in Madrid.

Memorandum of Understanding Agreed with Port of Pasajes

The Company has spent considerable time and effort reviewing options for the transportation of product from its Muga mine to its key addressable markets. During the Quarter, the Company announced it had signed a non-binding Memorandum of Understanding (“MOU”) for port capacity with the Port Authority of Pasajes (“Pasajes”). Pasajes is located approximately 150km north of Muga, by multilane national highway, and is one of the largest commercial ports in the region.

The MOU gives a non-binding commitment of port capacity for all of the product that is expected to be produced and exported from Muga and confirms the availability of significant port capacity. This is an important step in the Company’s path to commercialisation and, in particular, its strategy of selling granular product to the deep Brazilian seaborne potash market and northwest European market.

At the time of signing the MOU, the Company also announced it was in negotiations with the Port Authority of Bilbao for an agreement providing for similar facilities to give the Company further optionally in optimising its logistics solutions. Subsequent to the end of the December Quarter, the Company announced the signing of an MOU with the Port of Bilbao. Refer ASX announcement (“Highfield Resources Signs MOU with Port of Bilbao”) dated 20 January 2015 for further details.
Drilling Results

Two drill holes, which comprise the final drill holes from the 2014 drilling campaign at Muga, were completed during the December 2014 Quarter. A summary of the results with selected intervals is presented below. Refer ASX announcement (“Muga Drilling Completed Yielding Excellent Final Results”) dated 29 December 2014 for further details.

<table>
<thead>
<tr>
<th>DDH</th>
<th>Commentary</th>
<th>Selected Intervals or Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>J13-15</td>
<td>Positive</td>
<td>Over 40 metres of continuous, shallow, sylvinite mineralisation intersected with high grade zones including: 9.6 metres @ 14% K₂O (true thickness) including 3.3 metres @ 17.5% K₂O from 253 metres below surface; and 5.2 metres @ 11.9% K₂O (true thickness) including 1.5 metres @ 16.0% K₂O from 267 metres below surface</td>
</tr>
<tr>
<td>J14-10</td>
<td>Neutral</td>
<td>Drilling ceased prior to reaching target evaporite horizons Intersected 3 metres of lower grade potash mineralisation indicating potential continuity of the evaporite horizon</td>
</tr>
</tbody>
</table>

Figure 1: Muga-Vipasca Project area showing current JORC Mineral Resource Estimate, exploration drill holes and seismic lines
Definitive Feasibility Study

The Company is at an advance stage in the preparation of the DFS for the Muga mine. The DFS will outline dual-decline access to the mining horizon and an expanded processing capacity which should allow the Project to produce in excess of one million tonnes of potash per annum once in full production. The Company expects the DFS to be completed in March 2015.

Upgraded JORC Mineral Resource Estimate

The preparation of the updated JORC compliant Mineral Resource Estimate (“MRE”) for Muga is being completed by the Company’s independent resource and engineering consultant, Agapito Associates. The Company expects to release a JORC Resource upgrade that includes the results from the entire infill drilling program in February 2015.

Detailed Mine Design

Work on the detailed mine design for construction purposes was progressed during the Quarter. This work is ongoing and is pending completion of the block model which will accompany the updated MRE.

By-Product Strategy (salt sales and marketing)

The Company continues to progress its strategy for the sale of by-products from the Muga Project. This will include a detailed business case outlining the key considerations required to participate in the existing 70m tonne per annum European salt market. The Company will consider all available options for the sale of salt by-products, including the potential to target the large east coast North American markets from the Company’s two main Atlantic port options of Pasajes and Bilbao.

Current Quarter Priorities

Main priorities for the March 2014 quarter are:
- Finalise and release the updated JORC compliant MRE for the Muga Project area; and
- Finalise and release the DFS for the Muga mine
Sierra del Perdón Potash Project

Highfield’s 100% owned Sierra del Perdón Project (“Sierra del Perdón” or “SdP”) covers an area approximately 149km² in Northern Spain. It is located within 40km of the Muga-Vipasca Project and was the site of two former operating mines that produced more than 10 million 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 to a room and pillar mine, 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 compliant MRE for Sierra del Perdón. The Company expects this will be released during the March 2015 quarter.

Scoping Study

Process engineering consultant Hatch has completed a second study on potential processing plant options that the Company is currently considering. As stated, Muga has been prioritised over SdP. However, the Company believes that the substantial amount of work completed to date on the Muga PFS and DFS will be directly transferrable to Sierra del Perdón.

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. Mineralisation commences at depths from surface of approximately 500m. The Company is building on substantial historical potash exploration information that includes seven drill holes and 10 seismic profiles completed in the late 1980s.

The Company expects to drill holes P13-06 and P13-04 in the first half of the 2015 Calendar Year. As noted above, the Company’s current priority is the Muga Project, on which work completed is expected to be transferrable to other projects.

Figure 3: Pintano Project area showing potash exploration drill holes and seismic lines
Vipasca Potash Project

Vipasca Investigation Permit Granted

During the quarter, the province of Navarra awarded the Vipasca Investigation Permit to Highfield. The award of this permit opens the Project area a further 10km to the west along strike.

The Vipasca Project area includes the entire Vipasca permit and the deeper areas within the Goyo permit area, including new extensions. The exploration focus is on deeper higher-grade potash mineralisation that occurs in the P2 potash bed in the deeper sections of the combined Muga-Vipasca Project area.

As noted above, the Company’s priority is the Muga Project with work completed expected to be transferrable to other projects.

The Company expects to complete two drill holes in the Vipasca permit area in the second half of 2015.

Strategy

The Company has elected to focus primarily on the outstanding Muga Project, considering that much of the work completed on this Project will be transferrable to the Company’s other three projects.

Short-term, Highfield is focussed on delivering a compelling DFS during March 2015. The Company is targeting the commencement of construction at the Project towards the later part of Calendar Year 2015.

In parallel, work on the scoping study for Sierra del Perdón is underway, including early confirmation of its technical viability and planning for further detailed technical studies.
Corporate

Human Resources

The Company continues to hire in key positions for its project delivery team in anticipation of the commencement of construction in the later part of CY2015. As at 30 December 2014, the Company had a total of 30 professionals in its operations based in Spain.

Spanish project appointments include:

- Luis Haro as Mining Engineer
- Jose Maria Ballester as Electrical Engineer

Spanish corporate appointments include:

- Hayden Locke as Head of Corporate Development
- Jose Angel Torres as Financial Controller

The Company anticipates completing the recruitment process for the balance of its senior executive team for the construction and operations of the mines in the current quarter.

As at 30 December 2014 the Company had a strong cash position of over A$25 million. This gives the Company sufficient funds to continue the rapid advancement of the outstanding Muga Project, which remains the Company’s core focus.

For more information:

Anthony Hall  Simon Hinsley  Nuala Gallagher / Simon Hudson
Managing Director  APAC Investor Relations  UK Investor Relations
Ph: +34 617 872 100  Ph: +61 401 809 653  Ph: +44 207 920 3150

www.highfieldresources.com.au

Table 1: Summary of Highfield’s Mineral Interests as at 30 December 2014
Location: All permits are located in Spain.

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

Changes: Vipasca permit granted on 11 December 2014.

### Competent Persons’ Statement

This ASX release was prepared by Mr. Anthony Hall, Managing Director of Highfield Resources. The information in this release that relates to Mineral Resources and Exploration Results is based on information prepared by Mr. Leo J. Gilbride, P.E. and Ms. Vanessa Santos, P.Geo. of Agapito Associates, Inc. (AAI) of Colorado, United States of America (USA). Mr. Gilbride is a licensed professional engineer in the State of Colorado, USA and is a registered member of the Society of Mining, Metallurgy and Exploration, Inc. (SME). Ms. Santos is a licensed professional geologist in South Carolina and Georgia, USA, and is a registered member of the SME. SME is a Joint Ore Reserves Committee (JORC) Code ‘Recognized Professional Organization’ (RPO). An RPO is an accredited organisation to which the Competent Person (CP) under JORC Code Reporting Standards must belong in order to report Exploration Results, Mineral Resources, or Ore Reserves through the ASX. Mr. Gilbride is a Principal and Ms. Santos is the Chief Geologist with AAI and both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a CP as defined in the 2012 edition of the JORC Australasian Code for Reporting of Exploration Results, mineral Resources and Ore Reserves. Mr. Gilbride and Ms. Santos consent to the inclusion in the release of the matters based on their information in the form and context in which it appears.
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 March quarter 2015.

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